

COMPETITION COMMISSION OF SOUTH AFRICA
In the matter of
MEDIA AND DIGITAL PLATFORMS MARKET INQUIRY ("MDPMI")
held in hybrid format at
Dtic Campus, Sunnyside Pretoria and virtually via MS TEAMS
on 11 March 2024

Chairperson: Chief Economist and Acting Deputy Commissioner:
Competition Commission: Mr. James Hodge

PANEL MEMBER:

Ms. Paula Fray

Day 6:

GroupM Nexus

Dentsu International

South African Broadcasting Company

Microsoft Bing

START OF PROCEEDINGS ON 11 MARCH 2024

CHAIRPERSON: Good morning and welcome to week two of the public hearings for the Media and Digital Platforms Market Inquiry. We have a packed week this week and today we kick off with GroupM and following them, this morning, we have Dentsu. Both are media agencies and advisors to advertisers on their campaigns and hopefully will provide us with insights into how the advertisers think, at least, of these different options. This afternoon, we have the SABC,
10 and then this evening, running from 5 till 8pm we have Microsoft Bing. Tomorrow we have Google Search and they're the only participant tomorrow. And then, on Wednesday, we resume with some of the media companies and also Reuters, the Reuter's Institute, Kagiso Media and Likhanyile Media as well. On Thursday we have [Catherine? 00:02:34] and the Campaign for Free Expression and Magnite also coming, and also coming the AdTech company. And then Friday, it's Prime Media, the Association of Independent Publishers and Independent Media Isolezwe. So, let me start by welcoming Julian Mountain from, who is the head of Nexus at GroupM
20 for sub-Saharan Africa. Just checking if Julian is online.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Good morning, I'm online.

CHAIRPERSON: Welcome Julian. Thank you very much. I believe you have a presentation, but before we go to that presentation, I did want to thank you for making the effort to participate in the hearings.

I know, for a global company such as GroupM, we may be small and insignificant at times in South Africa, but we certainly appreciate the effort that you have made. As it is a public hearing, I would just ask that you don't reveal confidential information and just bear that in mind when you do communicate. If maybe you can use other factors, like orders of magnitude or something just to portray at least some of the information that is confidential. But I am going to hand over to you to give your presentation. You have made submissions on the statement of issues, you've made submissions on RFI's and again, we appreciate that. And once you've done your presentation we'll have questions from the panel, but we won't interrupt you while you present.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Okay sure, sure thing. Thanks for the introduction. Just to clarify on two points, firstly, the Competition Commission is definitely not insignificant to us. GroupM South Africa definitely cares about the ecosystem. In terms of the topic of inquiry, 100%. If anything, a healthy competitive media landscape across all channels, but by channel I would mean above the line channels like linear TV, radio, print out of home and then digital which is my sort of realm of influence and experience definitely matters. So that's the first point. Second point, maybe on a light-hearted note, if I do twitch a bit on the chair, it's because I spent a few hours on a bicycle yesterday. So, celebrating the wonders of the Cape Town Cycle Tour. So, apologies if I look uncomfortable. It's probably because a bit of a saddle misalignment. But I do have a presentation

to share this morning and I have been following quite closely some of the submissions from last week which were all very interesting, thought provoking and I would say quite consistent in some areas. I am just looking for what I need to share here. Just give me a moment. Yes, so the content you're going to look at today does cover, in quite a bit of detail, a lot of the submissions which we have already made and I've tried to make it as straightforward as possible in terms of answering the questions sequentially to follow our previous submissions. Okay, so just going on. I do just want to tell you a little
10 about myself too. My surname is Real and I have been with GroupM almost as long as my twins have been on the planet, 5 years in this last stint with GroupM South Africa, but previous to that, I was working for an independent digital media agency in the UK. And during my tenure there, the business was acquired by a WPP affiliate, the CISG group. And that was when I kind of first had exposure to GroupM as a business, I guess. It's when GroupM was first on my radar. So going back to 2004 was when I started transacting on digital media through sort of Google's buying system, Google ad words where we were kind of running sort of page search campaigns. So, that's just a sort of top
20 line intro about me, sitting on my saddle. So, also to just help you understand my role within GroupM South Africa, [indistinct 00:07:27] Nexus. What is Nexus? Nexus is effectively the practices and solutions of GroupM. Our intention is to make every ad experience work harder. We are strategically advising clients on where they should allocate their media investment within the digital media

ecosystem. It is quite complex, it's fast growing, there are a number of large global players who, through their scale and size and, in particular, their ownership of, I guess data, which I guess could be considered the new oil, that does make the landscape of our media advisory and media investment and buying quite skewed to digital platforms which give us a lot of information, mostly data points to ensure we are buying the media in the right place for our clients who are paying for that advisory. Now, our view is to also make every ad experience work harder. So, just to give you a topline context on that,

10 if we are buying a display impression on behalf of one of our clients, whether it's a local or a global client, we use verification technology to make sure, firstly that that impression was seen by a human being, which is quite important because the digital media landscape represents significant billions of dollars globally and the programmatic nature of a lot of the inventory that is bought and sold globally is an opportunity for bad actors. And these bad actors appear in many ways, shapes and form that could either be fraudulent, impression views where basically an army of fake machines and server bots would be set up to mimic human activity online and browse lots of

20 websites and trick lots of ads, but those wouldn't be humans interacting in a normal way. So that wouldn't be the consumer of our client services and products, that would just be a bunch of machines deliberately set up to view advertising to basically monetise inventory and it's quite an area. So, about making, so just going back, we want every ad to be viewed by a human being, so we try eliminating the

fraudulent impressions and we want that ad to be viewed in a fair environment and make sure the ad is actually viewed because a lot of ads are served on a webpage, but not necessarily seen. So ja, if we, and we work hard to eliminate that to make sure every ad is working harder so that our clients are getting better bang for their buck, but also there is much more of a fair distribution of the, I guess that advertising spend to the right players within the media ecosystem. Okay, moving on. And this is quite focused, I guess on GroupM and WPP, I mean we are part of a WPP. Our annual results, 10 financial updates are available in investor centres. A few weeks ago we had our Capital Markets Day where the global, a lot of our global leadership sort of presented to investors to give a pretty good view of, I guess what happened last year, what's happening this year and how we are investing, consolidating and our growth areas as a business. And I know some of that had been shared, but I think, more importantly from a local perspective in GroupM South Africa, how do we price ourselves for our clients? So again, our clients, and we are usually managing the entire media investment on behalf of our clients so that would mean all channels. And again, my definition of channel 20 here is the linear TV investment, the radio, the print, the out of home and the digital. And within digital that could be anything from a sponsorship, like a home page takeover on one of the bigger publishers who might have presented last week through to paid social, paid search and a programmatic media investment. So, our contract with our clients is usually split into one of two areas; there's either a

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commission on advertising spend associated with those media placements and obviously the more clients spend in that sense, from a media perspective, the higher our commission, but at the same, the higher our total commission earned not the percentage commission. And that's obviously where we would like to see a happy, healthy growing GDP and media investment from our clients. Over and above that, as the commission and the media investment landscape does ship from above the line channels more and more into digital channels, it does mean we need to invest in more people to operate
10 platforms and more people to be well trained on strategically advising our clients where to better allocate their digital media budget, but also importantly, investing in data and technology to help us fulfil those investments in a smart, efficient way on to the benefit of our clients. And obviously how and where do we invest in generative AI to make life easier for ourselves and better for our clients, all with the view of making every ad experience work better. Okay. So that's broadly sort of the first area and then there's often a, what we would call sort of an FTE structure on other contracts where a client would prefer to sort of buy of varying experts within our business across digital buying, out
20 of home planning as an example. And then we would charge a percent on that person's salary plus a margin so that we can afford to pay for salaries and afford to make sure everyone has a laptop, internet connection and other sort of cost of business. But I think it's important to note that, and certainly following myself this morning will be Dentsu presenting, which is also, I guess, a global competitor to us in that

they also have global clients and local clients. So, touching on our local and global clients – sorry I’m just getting a pop up, I just want to close that – we do have a lot of our global clients where, through our client-facing agencies within GroupM like Essence Media Comm, Wavemaker, Mindshare, we might be working on global client assignments in which case often the contract is not negotiated in South Africa, we just kind of receive this sort of South African affiliate contract and operate accordingly. But then also, ja, for the local clients, again we also have a combination of those contracts either
10 commission on ad spend or a sort of FTE model which where we transparently disclose to our clients the salaries of our people at different levels that they’ve requested on their business and the sort of margin we put on top of that to run our business. But it’s, you know, collectively the clients, the contracts are all quite varied and the payment terms in particular are quite interesting. Media investment often signifies a big portion of a client’s total advertising spend. And advertising spend we’d usually split into production and media. Production would usually sit within an ad agency or creative business which would make the content, I guess, that we would then distribute
20 through our media buying and investment. But the payment terms is an interesting area and obviously a point of discussion, but worth noting, the payment terms with some of the bigger walled gardens like Meta, Alphabet and I guess Amazon when they launch on our continent soon, from an advertising perspective, are usually not too rigid, are quite rigid and as an example, if we ever miss a payment on

a 30 day payment term possibly, with one of the big world gardens, our accounts get shut down very quickly. I guess that's the power of AdTech. Sorry, I know you wanted me to go through the whole presentation and then ask questions at the end or do you want, I'm more than happy to be disrupted and have hands up or throw questions on each topic. It's really up to the [indistinct 00:16:50].

CHAIRPERSON: Julian, I think run through your presentation. I think that's easier and then you know, at least if we have at least an hour, an hour and a quarter, so maybe if you can at least make sure you're
10 done within 30 – 45 minutes, that would be great.

MR. JULIAN MOUNTAIN- GROUPEM NEXUS: Yeah sure, got you. Okay, thanks. So, moving on, there was also a question on revenue sharing agreements. I mean we don't enter into rev share agreements, we enter into the sort of client contracts I just mentioned earlier. So there's a ja, we simply don't do the sort of rev share things. The question on AdTech products and I guess ad technology, so we don't operate our own AdTech products, we utilise the third party demand side platform and supply side platforms. And our role is really to sort of optimise that value chain. And the programmatic technology
20 where we have the demand side platform where we are buying and then the supply side platform which usually plugs into the sort of, the supply source or the inventory on that side, our role is purely to optimise that value chain because from a programmatic perspective there are so many different routes to buy an impression or to buy an online video on behalf of our clients. Our role is to try minimise that

route to the purchase and basically simplify the supply chain as much as possible because that works to our client's benefit, it works in our benefit and it works very much in the benefit of the media owner who should actually be benefiting from the revenue of that ad spend sold. So, if you think about a path of purchase with lots and lots of distributors and I guess middle men, to use a term, the more distributors and intermediaries you can cut out means that the, as an example, R100 that a client is spending that we are managing, as much of that R100 goes to the media owner who has actually served
10 that impression, that banner, or has run the video on their website, their app or their sort of property that they are trying to monetise through advertising spend. Okay. I will touch on a little bit later how when we evaluate which DSP to use, and that would be our programmatic sort of trading technology that we are just sort of utilising, when we do our RFP's globally or locally on which DSP's to utilise on behalf of our clients, one of the considerations, which we are forced to build into our RFP I guess sort of landscape or evaluation criteria, and when I say forced, that's a term just because of inventory exclusivity on certain DSP's. So, an example there would be, if we
20 want to buy YouTube inventory on behalf of our clients which is very, very much a growing area, as linear TV has significant, the linear TV landscape in South Africa has significantly changed quite quickly and the budgets have dropped. There's I guess two sort of main reasons for that. The one, the first reason would be there is more growth of I guess smart TV distribution where someone's TV might not even have

bunny ears on anymore. I guess there are more smart TVs. When you plug the TV in for the first time, even our remote control has a YouTube and a Netflix button on it, as an example. So there's a lot more connected TV being viewed and operated. Certainly, I guess data costs, hopefully they will continue to decrease but there's a lot more YouTube and Netflix and you know, sport highlight viewing on handsets. But over and above I guess the shift of digitisation in South Africa and more availability of data, Wi-Fi and connectivity, we've also noticed that loadshedding has had a particular impact on linear TV viewing where your usual sort of TV spots, which we might have been buying half of our clients on key evening peak or morning peak periods on TV are no longer as viewable purely because of loadshedding. So, there has been a lot of work gone into understanding the data points, the inventory availability and the pricing to see what media shifts need to happen with our client's total media investment. And ja, a lot of that does come to digital which from my perspective can be a little bit stressful. It means more resources required, more data and technology [indistinct 00:21:58] required too. But why I told you about the shift from linear to more online video definitely plays into YouTube's favour. You know, YouTube being a strong online video proposition with significant reach with a huge volume of advertising inventory that we can buy, but also a lot of data points based on the content of the videos viewed that we might want to serve an ad in and what someone's logged in state is telling Google about their preferences, their habits, what might be purchased in their

household etc. So when we are doing a DSP, RFP, YouTube is absolutely critical as an area we need to buy ads for. And when I say we're almost forced to add the DSP exclusivity into our RFP criteria, well YouTube is one of those and YouTube has to be acquired through the DV360 DSP which is the Google owned one. So, from that example, as much as we try optimise the value chain, sometimes our DSP choice is determined quite strongly by the inventory availability. Okay. As a case in point, another one of our global clients who is quite a big advertiser locally, I just won't disclose their name in this forum, 10 in this public forum, but they have a global agreement with an alternate DSP. So we manage the majority of their online video and all their programmatic sort of buying and optimisation through a separate DSP, but then for the YouTube inventory we need to use the DV360. Okay, just moving on to supply park optimisation. So this is where we increasingly spend quite a lot of time as we've found, so I'm just going to, just from an understanding perspective, I'm just going to try simplify this as much as possible where you know, we have been buying display and video inventory for a long time. Sometimes that inventory is conducted as an [insertion? 00:24:31] order which would 20 be meeting with media you know, various media owners, evaluating their offering and then choosing to do a deal with the one that best suits our client's brief, agenda, budget etc. Over time and as the market and our clients and the whole digital media ecosystem matures, there becomes more opportunities to access most inventory programmatically. So, instead of doing the insertion order deal, which

would usually be sort of a short term contract and then we would send our creative to the media owner, the media owner would put it up on their website or app and then we would receive the reports at the end of the month or at the conclusion of writing period, that's you know, now shifted a lot more programmatically where the buying is actually done by the DSP's and SSP's sort of, SSP giving a signal of what inventory's available and then the DSP standing for those signals and choosing which is the best impression to bid for basically. But you, I mean this is a sort of a small diagrammatic example of how the DSP

10 is, what us as the agencies are operating, has multiple SSP's to choose from. So, and I'm really encouraged that, I think you mentioned tomorrow that Magnite is presenting. I think that would be really good to get an SSP, ja on board and sharing information. But when we, if we were to set up a brand new programmatic campaign in our DV360 DSP, sort of the default targeting is to choose, I mean there's somewhere between 55 and 60 SSP's which is quite a lot. So that's a lot of intermediaries and middle people and a lot of those SSP's are selling and packaging the inventory on a very similar, overlapping set of apps and publishers. So our view is to find which

20 SSP offers the perfect inventory at the perfect price and where does the advertiser and the publisher benefit the most financially from choosing a certain SSP? So, I mean our view is quite simply, let's just not be inefficient and like why are there so many extensive paths to supply? By that I may mean if we're running an ad for a financial services client who might be trying to advertise a, like a new car

insurance product or something, they might be looking for audiences online who have recently purchased a car or have recently sold a car or ja, you know, I guess giving a signal that they might be interested in a car insurance switch or a new car insurance policy. So, where would be the best place to advertise to those clients and what are the data points we know of them? As an example, I don't know, one of those websites might be cars.co.za or wheels24 or autotrader.co.za, just to name a few, I mean there are obviously many options there. But if we're trying to buy one of those impressions, which SSP do we

10 end up buying through? That's an area where we really try to make sure we buy accurately and again there are a lot of data points there. And also, fortunately we are trying to make sure that we buy from a smaller number of SSP's to ensure we have the most efficient and ja, least expensive path to supply. Over and above the [indistinct 00:28:33] to supplier, another area that our global clients, in particular, question us on is what is the carbon output of a media schedule? Now, in terms of utilising an efficient, sustainable and sort of media investment methodology, if we can shrink the supply path from our DSP seat and what we're buying on behalf of our clients to the actual

20 ad that gets displayed on a publisher site, we're not only reducing the cost to the advertiser and increasing the revenue to the media owner in minimising that supply path, but we're also ensuring that there are significantly less ad server calls and information bouncing around on the global connectivity and cloud and undersea cables which can only be a good thing for helping reduce the carbon output of our client's

media schedules which also goes a long way to, you know, helping out on reducing global warming and making sure that, again, advertising experiences work better. Quite a complex sort of scenario, but the truth is the amount of information and data that is flowing just within the digital media ecosystem is growing exponentially and we have a responsibility to try and understand that and to try and minimise that through efficient buying. Okay. Ja, and that was just, I guess, an example of one efficient path to supplier. Ja, there was just a question on, I guess our contractual agreements. You know, we

10 have shared these sort of sample contracts already, but ja, just our client consent would be required to share any specifics. And then ja, if we have a look at how our clients brief us, yes the briefing happens in various intervals. Often we'd be looking at sort of an annual flow plan based on the client's, usually we plan on a client's fiscal, that's just when the client's would have a pretty good view of when their budget becomes available from, I guess their executive and what is their total marketing budget for the year and how they would maybe split that up across event sponsorships, created assignments and certainly the media investment. So, I mean clients provide us a brief.

20 There are specific criteria we often need to meet like help them grow their business whether that's through the services they offer or the products they're selling and we will work together to just kind of tightly define that brief. And we've got a view of the context, the minimum performance, what the target audience we need to reach is, the coverage cost and results required. I mean ultimately our clients are

trying to grow their market share and to do so from a pure topline marketing perspective they usually need to grow their share [of voice? 00:31:57] to grow market share. So, a lot of the briefs sort of allude to that requirement from a topline perspective. Then, ja I mean we would review the brief, understand the client's requirements, increasingly going forward with digital, trying to understand what are the data sources that the client's may have compliant access to which we can use to enrich and the sort of audiences available on our side from a media buying perspective. So, ja I mean we would then revert with
10 additional clarification questions, the approach media owners or sort of compliant data providers and ja, brief them using that information provided to clients. We would understand then what each media owner can offer. If it becomes a long term engagement we might embark on more of the detail to sort of RFP with the media owners or also the data providers. Then compare those offerings and present each option and the proposed performance to our clients because ultimately we're trying to grow their market share through a growing share of voice. And then ja, I mean what are those media owner capabilities? Sometimes like a home page takeover or a sponsorship
20 deal [instinct 00:33:15] action directly. And I had touched on that a bit earlier, that sort of insertion order deals and agreements where the creative wouldn't be sent through the programmatic pipes, it would usually be emailed to the media owner directly and then they would serve it on their site. If it's run off site advertising, that would normally require a DSP or Demand Site Platform, but also the client's digital

maturity plays a role. Clients with a higher, more advanced sort of digital maturity would opt for a DSP that really allows for a single view of the customer and allowing us to help our clients deduplicate their reach because you would have sort of one vying platform transacting on multiple sites, apps and media owners so you can get a true view of what the actual reach of a campaign might be rather than a disparate unaggregated view. Okay, and then ja, I mean our clients utilising DSP's. I had touched on this a bit earlier when I'd spoken about the, I guess certain inventory sources being exclusively limited
10 to certain DSP's but I mean, ja, our specialists, our programmatic traders and our sort of data scientists would optimise performance based on the brief in the DSP which is effectively like a trading desk. And ja, try and deliver the best results possible, all for our clients. And ja, the one question of why do we not use certain AdTech intermediaries; sometimes there is a duplication of offerings and the reality is yes, we are a large global business but we service our clients out of South Africa, with South African resource, South African employees. And the skill set required to operate DSP's is quite a unique sort of niche skill set and from the scale of our client's
20 investment combined with our overall client digital maturity, we usually wouldn't run on more than two DSPs per client for a year. You know, the functionality and market of the DSP's available here and I mean there certainly are a few. There's DV360, there's Xandr, there's the Trade Desk, there's Ad Form as well as a growing number of DSP's which are specific to certain channels which are coming online. And

by that I mean you know, we've seen a big growth in out of home where a lot of the out of home signage and, I guess billboards, are increasingly digital and some of those digital ones we can actually buy that inventory programmatically which is a lot more efficient for the advertisers. And the good thing is it does open up the market to the number of new advertisers who might have been horrified at the cost of out of home advertising, but if you just need to buy a few seconds of a screen, of a programmatic digital billboard, ja, you also don't need to go through the production cost of printing and painting a big
10 billboard. So that's a bit of a side point, but on programmatic digital out of home there are a few new DSP's which focus specifically on programmatic digital I've done like Hive State, Sage and Carter, amongst others in market. And that again does speak to the functionality and I guess the inventory you're looking to buy. Over and above the, and I mean then obviously commercially, the costing definitely matters. The DSPs tend to charge on a percentage of spend. So you know, if R100 is going through, is being transacted through a DSP, they charge a percentage of spend broadly. Where we do see efficiency and you know, more effective performance in the
20 DSP is also in our back office and our finance team where, if we are buying a lot of our client's inventory through the DSP, we get the invoice for the month for the client and that's sort of aggregated by the DSP rather than receiving and needing to onboard hundreds of vendors and receive lots of different invoices and reconciling, that is kind of taken care of by the DSP, I guess that is the purpose of the

Demand Site Platform or one. But then, importantly, and I touched on this earlier, the exclusive inventory availability. So, I hadn't referenced earlier YouTube, but it's slightly. When Amazon launches in South Africa, we're going to have the Amazon page search and the Amazon DSP also launching in market. So if we want to advertise on behalf of our clients within that Amazon ecosystem, guess where we have to buy? The Amazon DSP. And you know, Netflix, and increasingly as other sort of I guess connected TV offerings come on board, there is definitely a land grab for large businesses and DSPs to do exclusive agreements. And I'll just speak to an example in North America which I think gives a good example of what might be coming into this landscape in South Africa in the future. But Walmart has obviously seen the significance of Amazon's advertising revenue and you know, as a large retailer with significant data sets available to themselves, I mean they're Walmart for goodness sake, they have an exclusive DSP deal with the trade desk. So, yeah. If you need to buy Walmart inventory you need to get it through the trade desk and that's the exclusive inventory availability going on there. You know, that does make good business sense, but at the same time it can be quite challenging if you then need to buy inventory from multiple sources because if you think about it, the insertion order business we used to buy, we would have a lot of contracts, invoice agreements with multiple vendors and then that sort of got intermediated through programmatic into okay, we'll just do it all from one DSP. And now, I think over time, we're going to see a bit more of an expansion and

thanks to the good work of the competition commission, maybe that expansion of DSPs and separating demand from supply could help us there. And then ja, on the restrictions by AdTech DSP intermediaries, I mean we don't really have knowledge of the agreements between the DSP's and the publishers so we don't see the percentage of spend that the DSP's would charge the publishers or the SSP's, that isn't really publicly available information and although we do ask for it, we don't really see it. Obviously, that would help us further manage the supply chain efficiently for our clients and also benefit the sellers of

10 the inventory so that they can fund you know, good quality journalism and also invest in tech and tools in the ecosystem. But ja, we can't really provide more information in that space. And then you know, just I guess, in terms of our view of understanding the unfair conduct of the you know, the big walled gardens, I'm not sure if this was mentioned last week, but the fact that, as a consumer or someone we are trying to sell our products and clients, our client's products and services to, the consumers have free access to any Meta product, right? You just need to download the app and have a bit of data. You're not really paying to subscribe, we all use, or I'd imagine a lot

20 of us use WhatsApp quite commonly. I know I use it to plan my life. We also might be using certain browsers which are, I guess, free to use and in a locked in state you get a bit more functionality from the browser or the sort of services of the tech platform. So, if it's free, I guess you are the product right, because you are I guess the target audience for the very tailored advertising. But I think this is quite clear

that the walled gardens have a very personalised view of behaviour. There are significant data points that are owned by the walled gardens across various elements of the digital media ecosystem and the more data owned definitely fuels artificial intelligence which might be giving the walled gardens an even bigger opportunity and strength going forward as more data is collected and as the investment in artificial intelligence is centred in a few areas and inaccessible by many other businesses purely from a budget and a capability and skill set perspective. And ja, I know last week there was also some discussion

10 of problems with the sort of subscription based providers, but the truth is Google, Meta, TikTok are really big players who, you know, they don't necessarily charge a subscription, not for the majority of their large scaled products, but they are definitely receiving value from the logged in state and the information they are requiring. And ja, on the sort of free to the read user basis, we are going to see a big change later in the year which has been titled, "The Death of the Cookie". So basically Google, through the ownership of I guess significant volume in the browser market and also, I guess the android sort of operating system and the app linked play store there, when Google deprecates

20 the third party cookies during the course of this year, that basically means we need to change the way that we report from a digital media perspective, but also the publishers will not necessarily be able to rely on third party cookies to ensure that their audiences have been sort of be followed. And this is where subscriptions from a media owner perspective would definitely allow for audience generation. So,

hopefully the media owners who have built up large databases of compliance opted in email addresses, phone numbers, that sort of thing, can use that audience intel in a cookieless future. Yeah. And that concludes my presentation. Are there, I'm looking forward to some questions.

CHAIRPERSON: Julian, that was very, very useful and I think you know, part of the public hearing is not just for us to get insights but also for the public and also the media and the platforms to get insights from each other. And so I certainly think this has helped us understand
10 coming from the advertiser's side. So we do have a fair number of questions and, as I said, just avoid confidential information and I apologise that we might keep you sitting there for a little longer, but hopefully you'll get a break by 12. The first question I had was just more around coming from the client's side. I mean you indicate that the client will give you I suppose their performance objectives and they want to grow, share a voice, but also their budget and what they're willing to spend. And I just wanted to pick up, I mean in that budget discussion, do you think the client's expectation now, given
20 the lower cost per thousand that's available on digital, do you think their expectations have changed and are you seeing clients wanting a lot more performance for less budget?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Yes and no. The fact that a, it doesn't make sense to have a race to the bottom on a sort of a buying methodology. Or say you're buying on a cost per thousand impressions, which I guess is the standard sort of bought benchmark

and pricing view for display inventory. Now the lower that gets, the worse the quality of the inventory is going to get surely. I mean that's a, I guess a classic supply demand situation or a pretty standard view of you get what you pay for right? And when I mentioned earlier that we are laser focused on trying to make sure that whatever we're buying for our clients is seen by a human, not a dodgy robot that is just trying to monetise ad inventory on behalf of bad actors, but also is served in the right environment and has the opportunity for a one of our client's potential customers to view, interact with and then get
10 more information on the client's product or service and move them down the sort of, I guess, conversion tunnel where they might be more willing to buy, invest in our client's products or services and become a repeat customer. So what you, I would be worried about the race to the bottom because that means there is more bad quality inventory from a buying perspective, but also how do news sources and local journalism stay funded and stay sustainable? It does worry me a little bit, ja. And what's quite interesting too is the, if you are buying inventory on a CPM basis on a walled garden, say for example, Meta. How do we know what is driving the CPM up or down? It's an auction
20 based model right? It's a competitive system, but is the CPM controlled by the walled garden or is it controlled by an efficient fair sort of market dynamic? I think that's an open ended question to, I think to the market and any listeners.

CHAIRPERSON: Thanks Julian. And I think you know, you said you'd followed a bit last week, but I suppose the news media is questioning

whether you know, an advert on their site is valued the same as any old random click and has context or contextual advertising been lost to some extent in the race to programmatic advertising? I'd be interested to get your view on that.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Well, you know the truth is a lot of media owners in South Africa have also been, even before programmatic I guess sort of grew or took shape or might have seen a race to a lower CPM that the media owners are receiving, a lot of the media owners in South Africa are using Google Ad Manager
10 which is the Google piece of technology that allows the advertisers to, sorry allows the publishers to serve ads on their site. So, I mean and this dates back to I think it was the year 2007, when Google acquired a business called DoubleClick and DoubleClick was, I guess, a third party, independent, very clever technology business that ran, that basically ran the ad serving for a lot of publishers. So publishers and new sites would have used a DoubleClick product to serve ads and prove to clients that they had served what the client had bought etc. I think it's fair to say that maybe, from a competition perspective, that acquisition maybe shouldn't have happened. But granted this was
20 many, many moons ago and it's possible that the pace of development in the digital media ecosystem didn't give clues to the future of how this would have played out. But the reason I'm saying this is that a lot of South African media owners, and not just South African, I think continent wide and globally, had been using the Google Ad Manager system which came out of this acquisition of DoubleClick

to, as an interface. So that's where they would be serving the ads that had been bought by the agencies or the clients direct. And in doing so, I think had given a lot of information to the business of DoubleClick and Google in terms of what was available and what inventory was available and what was the pricing of that. Outside of that, when publishers hadn't sold inventory through insertion order deals, if they had a million impressions available in a month and they sell roughly 800,000, I'm just trying to use basic maths to give an example, the remaining 200,000 impressions, well ideally they would either use
10 those impressions to serve internal ads, I mean if it's a big publishing house or publishing division they might run those 200,000 ads to promote other sections of their websites or upcoming events, launches etc. Basically I mean internal marketing pool of advertising or quite commonly they would run Google AdSense on that. So they would place a Google tag on their site and then create rules within the Google Ad Manager system that, and it would be commonly called the waterfall where the, you know, certain top end inventory of those million would be sold for sponsorship deals. Then, lower down the waterfall would be run off site availability. Then everything else at the
20 bottom of the waterfall would be called, I guess remnant inventory or unsold and that would either be pushed into an internal marketing kitty or sold through an ad network. And Google AdSense was the most common one and that would allow the publisher to generate a bit of revenue off what had been unsold inventory. It would allow advertisers to be able to buy cheaper revenue I guess, or sorry, cheaper inventory

than this sort of top of the waterfall but you had a lot less control and it wasn't always the best inventory available. I think the risk we have now is that cheap Google ad exchange inventory is, has maybe damaged the perceptions of advertisers, marketers and even the pressure put on the media investment partners and agencies to continually receive low, be able to transact and buy sort of cheaper inventory which might be good for an advertiser who's just looking at the number of impressions bought, but the more digitally mature advertisers are very well aware that they should rather be buying
10 quality impressions. And that comes at a price, but usually the final outcome on sales, services etc. that our clients are trying to achieve far outweighs buying lots of the cheaper impressions.

CHAIRPERSON: And Julian, just on that, I mean within the digital space, we heard last week that, just as you've indicated, publishers will try to sell direct for a much higher cost per thousand because it is a quality context and quality inventory. I suppose the question was raised about how much of that direct is now sifting into the programmatic where advertisers might be looking to at least get a portion of their sales at a cheaper price and we had a discussion about
20 whether advertisers who are linked up to direct to a media, how much of them are slipping away into the programmatic and also whether publishers are getting some from programmatic into direct. I mean what has been your experience about the shift between direct and programmatic for at least the South African media organizations?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I mean the trend is

clear and I don't see the shift to programmatic stopping. It's just going to continue to grow and grow where you know, the publishers still have an opportunity to sell inventory into DSP's and into media buyers through sort of programmatic guaranteed and programmatic deals. So the conversation and the flow of negotiation and information between the buyers and the seller is still very much over email, over meeting, that sort of thing, but the actual, the transaction itself, the sharing of creative and data and the invoicing is managed within the DSP. And the agents, and the [bi side? 00:57:46] pays a fee on that which, you
10 know, our clients have exposure to that and the sales side has a fee there too which they know. So there's still value and opportunity to extract a higher media value and sort of CPMs through deals for quality inventory, it just means those would be done as a PG, sort a programmatic guarantee or programmatic direct deal rather than an [insertion? 00:58:18] order deal. However, the advertisers also need to be I think aware and widely educated that you still get what you pay for and we should be buying quality rather than just, you know, chasing higher reach at a low CPM. Another point on that too is the, where media owners or news sources are really investing in high
20 quality, balanced, investigative journalism, there's a responsibility from buyers and clients and everyone putting media investment into, I guess the ecosystem, that good, balanced journalism, well-funded investigative journalism and some long form content is, actually can be a very compelling proposition for an advertiser and that is something that can and should be worth paying for in terms of a higher

CPM through you know, obviously the association with the brand, with something quality that represents you know, good, balanced view and fair reporting rather than some AI generated, quite basic, syndicated, global, easy to repeat news sources with multi click bait headlines.

CHAIRPERSON: Well, we heard Friday from at least the Daily Maverick, saying business in South Africa is not coming to the party on that or at least not sufficiently. In the media fields they have been chasing the lower CPM's that they might get on Google and Meta. I mean your view of the advertisers and what they want because I see
10 some of them come with that brief about potentially even where they want to be placed or at least some of the inventory and their [indistinct 01:00:34] but their objectives. So what are you seeing from your side?

MR. JULIAN MOUNTAIN- GROUPEM NEXUS: I mean, look there's definitely a mixed and quite a wide continuum of, I think I touched on this earlier where we've got you know, local clients, global clients at different levels of the continuum in terms of digital maturity and that includes, I guess, their appetite and understanding of certain points of digital pricing. We, and I'll just disclose sort of the top line here, but when we engage in RFP's to retain some of our clients and attain new
20 clients, both globally and locally, the media pricing benchmarks are often required and the more the marketing clients or the, I guess the marketing executives on our clients and our potential clients, and I guess the advertisers in general, can understand and push their procurement teams on the value of quality media and what are the actual outputs we should be looking for and paying, I think the better

because there is a continual price pressure in terms of you know, how many impressions or how many spots we can get for the same advertising budget. And ja, that's definitely a strong, collective education drive across our whole continuum of clients, but also the wider advertising ecosystem in South Africa to push for higher quality and expect a view of rather buying a quality CPM. So, you know, one of these sort of pricing benchmarks you fill in would be a rather nasty looking Excel document, but that's fine. It might look nasty but I think, you know, Excel and analysis is very much our game. And it would

10 have lots and lots of rows, many, many rows. And each row would represent what is the sort of price point you could buy a certain media owner's inventory on and what would be the targeting criteria? And that might be an audience or data points etc. And then a lot of the columns, I'll just give you some of the headlines of the columns would be What's the Bought CPM? So that would be, I guess, what you pay for the inventory directly or through a walled garden interface so the price that matches the invoice. And then quality criteria. And the more we can understand and widely educate on a quality criteria, the better, for the whole ecosystem and the benefit of investigative journalism

20 and ja, I think news, and ensure we have a healthier sort of ecosystem. Those quality dimensions include things like in geo. So is that ad impression that you're buying at the invoice price, is that guaranteed to be in geo. So that would mean in geography, broadly, are we looking to buy, usually targeting in South Africa, but sometimes a programmatic buyer, you know, might be targeting multiple geos or

picking up inventory from markets where people don't sit and certainly where our clients aren't selling products or services so that in geo guarantee is really important. I mean we need to be buying either, you know, if our client's trying to sell in South Africa then in South Africa, or more granularly, into certain regions whether that's coastal, inland etc. depending on the client brief. The other elements, or I guess the other columns in this marvellous spreadsheet I've mentioned would include viewability. What is the average viewability of the impressions brought from that media owner for that audience? Now, we would

10 always target as high as possible because if an impression isn't viewed there's absolutely zero value to it. The additional quality benchmarks and measurements would be ad fraud and brand safety. So, have our third party verification providers confirmed that there's no ad fraud going on here. Often there's a little bit. You know there are bad actors. I've mentioned earlier, there's a lot of really naughty misinformation sites and AI generated websites that are built purely with the intention of exploited and arbitrated model. So they are run advertising to their site and then generate advertising revenue from their site and then masquerading as a new source. That's also

20 something we absolutely need to collectively eliminate. And then that other sort of quality variable would be, sorry I've touched on viewability, brand safety where you know, and again on our continuum of clients there is a strong resistance from some to allow their advertising to be adjacent to or associated with certain categories of content. An example of that continuum might be on the one end where

there's a really heightened risk would be, I guess, a client selling infant formula where you know, they would need to make sure that there is no brand unsafe content around them. So, you know, just in summarising the sort of quality criteria, all of those ladder up to reducing the brand and the advertiser's exposure to financial risk, legal risk and reputational risk, but at the same time those quality criteria should ladder up to a quality price benchmark. Like call it a quality CPM rather than just a bought CPM. Now that's where, in theory, and data can prove this but I can't quite easily disclose it, but
10 certain inventory that you might buy at a high CPM actually translates to a lower quality CPM because the ad is viewable, it's brand safe and it's not as fraudulent and it's in geo. So I think that's an area where we do need to continually strive as an industry to push for so we're not just racing to the bottom.

CHAIRPERSON: So do we –

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I hope that [cross talking 01:07:42]

CHAIRPERSON: Yes. No, incredibly useful but I suppose, what I take away from that maybe, and I just wanted to check whether this is fair,
20 is that we may have many immature digital buyers at the moment who are chasing the low CPM who need to be educated that, if they are educated, that might change their behaviour, but also that for agencies such as yourself, if they are just chasing bought CPM and lower prices it would drive agencies to also try and put before them to win that proposal and win that work, lower CPM's and how they can

get content on the same publisher at a lower price. And that's not to fault the agencies, it's more, it's maybe a product of this race to the bottom, as you put it.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Sorry, was the question about possible amateur buyers within the system?

CHAIRPERSON: No, more just whether that's a fair ... In South Africa we do sit with some immature marketers who are looking at bought CPM, not quality CPM and who may then, on the back of that, push for, at least in choosing an ad agency in proposal, who can deliver on
10 the lowest bought CPM rather than the real quality. Is that a fair comment was more my question?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Yes, I would say it's a fair comment in the sense that the digital media ecosystem is complicated and it's continually complicated and it changes very, very quickly so it's very difficult to be a master of all the changes. Ja, you know, TikTok, well ByteDance recently launched TikTok's advertising product. I mean that's, you know that continues to evolve. As more and more channels allow for programmatic inventory to be sold, the whole ecosystem gets confusing where data and technology and data
20 science is now a critical skillset within our buying and, I guess, our strategy teams. It's a fast moving landscape and to, I think because it's moving so fast, the nascent and the sort of default understanding by many areas of the whole supply chain is, people are just kind of just struggling to keep up with the changes in tech. So you know, you might have mastered paid search and paid social and you now need

to quickly master the programmatic, it's just a continually fast moving space. So maybe that might link to a bit of a maturation and maybe the lack of full digital maturity from various areas of the ecosystem.

CHAIRPERSON: And –

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Ja. Sorry?

CHAIRPERSON: No, I was going to ask, I mean, so is there a prospect that this starts to turn around? So, are you seeing in more mature markets, and it's not to say that ours is necessarily far behind or different, but amongst mature buyers is switched back to the quality
10 and so this pressure that publishers feel at the moment might abate at some time in the future if there was more maturity in the buying.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Yes, yes, I think so, definitely. And you know, we're members of the local chapter of the IAB and I know last week, I can't remember who had shared it, but there was the IAB PWC study which kind of looks at how digital ad spend is kind of shifted around locally. We contributed to that. We also publish and share with our clients. It's called the This Year, Next Year survey which looks at, I guess, groups ends view of spend forecast
20 by channel, by market so within South Africa we do that across Kenya, Nigeria and South Africa. And in that you know, the total ad spend is very skewed to, I guess, sort of paid search and paid social but again that's looking at the long tail of advertisers. You know, a lot of local businesses who might just load their credit card into like you know, the Meta ad manager suite and boost a few posts with their credit card for a couple of hundred bucks. But again, there is a long tail of those

advertisers from the GroupM clients both you know, locally [indistinct 01:13:13] and globally and my interactions with the counterparts at least I have in our business across [indistinct 01:13:20] where the publishers seem to be doing well and have sustainable business models is where they can collaborate. It is almost impossible for publishers to have the scale of data and knowledge than the walled gardens, but there, I have been following the Ozone Project in the UK where a whole bunch of publishers have come together and they're trying to look at a shared single sign where they can actually share audiences amongst each other and taking the view of collaborating as media owners, as sellers of ad inventory gives a stronger [indistinct 01:14:02] and a more data focused proposition to box quite fairly against some of the walled gardens.

CHAIRPERSON: Well, we have been less successful getting our hands on IAB reports so we would appreciate if you put a good word in for us there. I think it would help us just understand what is happening as well. I mean you've talked about the data. I mean just give us a sense of almost, and this may be orders of magnitude, how much is going to paid search and paid social as opposed to just more programmatic and I would include in that, I suppose, YouTube. I know it goes through a DSP but it is still content coming from at least Google who owns YouTube. I mean, how much of the spend roughly goes to those properties?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: A fair amount. It's not something I can disclose on the sort of full split. Ja, that would

definitely need compliance and client's consent. But the truth is within the total media investment managed, we do also sometimes struggle to classify where YouTube sits because YouTube is a content creator's sort of aggregator. It's also a social network and it's an online video platform. So does YouTube fall within our paid social budgets or our connected TV and online video budgets that is sometimes a point of discussion and it varies client by client depending how a client allocates their budget or their thinking. But where we, within paid social we do see significant growth outside of the pure walled gardens
10 within social so you know, X, Meta, TikTok and Snapchat and that growth comes out of the sort of influencer economy. Ja, but in terms of the exact splits, that's not something I can disclose.

CHAIRPERSON: Fair enough. I mean, you've mentioned data a few times. I just wanted to understand why they have such a large share because data is one aspect but inventory, it seems, is also another potential aspect, how much inventory you've got, and given the amount of traffic on those properties, inventory might play a role as well. So, maybe you can just help us, you know, one view might be oh well they're cheaper therefore people go for it. But it might be that
20 they're better target or they've just got more inventory that is targeted. How would you sort of explain to us why they take such a large share?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Okay. I mean the data reference is increasingly the ability that is available to the media buyers in platform to target particular audiences where, if we are buying across Google products or Meta products, we are able to

target with pretty granular information to particular contexts or audience segments which, or even search affinity audiences, so that would be on Google because they are well aware who is searching for what based on an individual users search queries when they logged in and then aggregated across the whole of South Africa and then ja, split up into chunks of audiences. So that is incredibly powerful intel that works from a conversion perspective. So if we're trying to sell cars or, I don't know, consumer electronics or [indistinct 01:18:48] significant audience intelligence is available which is packaged very well in the buying interfaces and it is the aggregation of the data points that the walled gardens have very cleverly generated and are utilising to allow for targeted advertising. Over and above that, that data point, when supplemented with data we may have or our client's first party data which is you know, compliant data, can be equally compelling and prove to work well from a sort of a conversion rate. So how many people land on a website, as an example, and how many convert whether that's closing a shopping cart or filling in a lead generation form or whatever that conversation may be. So, ja, ultimately it's about aggregating lots of data available within the walled gardens and how powerful and useful that data is from a media buying perspective.

CHAIRPERSON: And just a question, because you know for us, as you say, this is very complex, this world. So, for the publishers, even if they're using Google Ad Manager, do they just simply not have the same extent of data which makes it harder to target, makes it slightly

less attractive as a product?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Well, I'm not too familiar with Google Ad Manager. I know broadly it's usage in the ecosystem, but not as a, it's not a product I log into often enough, put it that way because I'm more on the buy side. But from my top line understanding was there is still quite a lot of information available to users of Google Ad Manager within where you are using Google Ad Manager. So that might be on a website or a collection of websites. You do have quite a bit of contextual information on those websites
10 which can be used to create audiences on your data. But again, that's on one publisher's view using Google Ad Manager. You add that across the whole ecosystem of tags where there might exist a Google tag and that's quite compelling. An analogy I'd like to give on that is, and this pre-dates the acquisition of DoubleClick, when Google acquired a business called Urchin which was in, [indistinct 01:21:44] date, but a quick Google search would tell us. But Urchin Analytics was a very much enterprise grade analytics package. And by analytics package it was for web analytics. So website owners would use Urchin to give them information on what was happening on the
20 website, who was visiting, where were they from, what geo? On the website, what were they interacting with, which pages were popular, which were least popular? Google acquired Urchin and shortly thereafter rolled it out as a free analytics package. So just about any website or blog owner would add Google analytics tag and they would get pretty good information for free which was great because as a

website owner you would know where your website traffic is coming from, how you can optimise for natural search. Outside of your organic traffic, what was paid for, where was it coming from, how your website was performing, if you had an e-commerce site what were your conversion rates etc. Again, just data, data, data points. And it would be good for one website owner because there was compelling enough information to justify pulling a tag and then logging onto Google analytics for free. But the collection of data across every single website property that had installed Google analytics was just
10 incredible. And again, building more and more data which could be used for audience targeting etc. So a very powerful proposition which, at the time, was free but ja, there are, certainly from our client base we're exposed to alternate, I guess more enterprise analytics packages which seems to be the shift away again from free which makes sense. I mean, some are from Google, some are from other providers.

CHAIRPERSON: And I suppose, as you said before, if it's free then you're probably the product.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Precisely.

20 CHAIRPERSON: I mean, related to this, you mentioned the third party cookies and this will disappear this year. I mean, just to get a sense from you, so as we understand, that's a sort of refollow. You went to look or search for hiking boots and now you're moving on in the web to look at some news and you're on maybe the Daily Maverick site and suddenly hiking boot advert ad appears there and that's because

these third party cookies have followed you and then you've gone on to the new site and the SSP says I've got this person who's looking for hiking boots, who wants to bid? I mean is that roughly how this sort of works?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Yes, correct. That's a good analogy and example. I do wonder if your possible products of hiking boots was linked to see my surname on screen. But ja, correct. The cookie, it's a bit of a strange work and I'd love to understand the history of why it was called a cookie, but maybe it was linked to the

10 fairytale, Hansel and Gretel. But a cookie is basically a little piece of Java Script code that gets built into the code of a website which basically would send signals to enable the journey you just spoke about where a hiking boot selling client may track around their users and then serve the hiking boot ad to someone where they wouldn't ordinarily think to advertise because if you're selling hiking boots you would think okay cool, well I need to have partnerships with, I don't know, like hiking and outdoor sort of portals and websites and apps. But ultimately the avid hikers, or someone about to buy a hiking boot, might be reading outdoor websites and apps but also checks the

20 weather and we might be reading the Daily Maverick, to your point. Something quite unrelated to hiking, but based on the knowledge of that user, that becomes quite a pertinent person to target. So yes, cookies was the technology I guess, that enabled that targeting. So, maybe as consumers we'll see slightly less creepy experiences and advertising, but at the same time it does open up opportunities for,

hopefully, a wider, broader, more fair ecosystem. And some of the opportunities we're exploring on behalf of our clients to help navigate this is we'll definitely see an uptick in contextual advertising and that would, in a nutshell I guess, what is the context of a website page or a video and does that context match the product or service we are trying to get in front of the viewer of that rather than it being based on we know that person looked at the hiking boot and five days later let's target them when they're online. Outside of that, artificial intelligence is also an area where we should be able to use data points to quickly
10 determine someone's interests and target accordingly.

CHAIRPERSON: So just so we have a sense, I mean how much of the digital advertising has been linked to third party cookies? And just to how important it is or has been and that might change?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: So we would estimate, I'm just trying to think about 40% of some of our client's digital media investment would be impacted in that reporting would change and ja, performance measures would likely need to change because we would be less reliant on remarketing.

CHAIRPERSON: I mean that's much higher than I thought. Look, I
20 suppose the other view is that, you know, these walled gardens, if you put them, still have that information in any event and I think the concern that has been expressed in some quarters is that traffic will shift even more to those walled gardens. So, as you planned for this period, I mean you must, it seems you are thinking about this. I mean what do you expect the impact might be on at least the news media

in South Africa and their advertising?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Well, the truth is, if there are less remarketing audiences, will advertisers need to buy more top funnel media again and contextual and higher quality media? Hopefully so. And that would benefit news media in South Africa.

CHAIRPERSON: Alright. I mean, we've also heard from the media I suppose is, and you've also confirmed this, they need to improve data collection. They need better data to also compete partly in a post cookie world, but generally there's better data on the walled gardens
10 than there is on their own sites. So, I mean how do they improve that to make it more attractive to the advertisers and to be able to target interest rather than just demographic say?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Well, I mean from an interest perspective, the publishers and media owners are sitting on quite a high volume of context. What are, and that could be as simple as looking at every image would be [indistinct 01:30:39] on site and obviously all the written content would have, be tagged by the content of the written language in it which gives pretty clues into context and what the context of the particular pieces of content are about which
20 can be used to build out audiences. For the publishers who have invested in collecting in a compliant manner, email addresses which are POPI compliant for marketing, that's also powerful. And for the publishers who have the ability to invest in data and technology, to enable for that to be shared with advertisers and buyers, that's a compelling proposition for the future.

CHAIRPERSON: So I mean, what I would understand, obviously Publisher has quite a wide range of content, but if I'm you know, reading a story on the Cape Town Cycle Tour in the week leading up that might give me context that there are cyclists. Are they interested? There might be other interests, but they would have to, I suppose, build up around that reader, that information and look to sell that data to advertisers through their programmatic advertising.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Correct, yes.

CHAIRPERSON: I deliberately avoided the mountain analogy and it
10 wasn't hiking boots for that reason, I was just reading some other submissions this morning that used that example. Just on the DSP's, I mean I think we're sort of familiar with based on the direct to search and social media, what sort of targeting they can do because that's very visible in the public domain, you can go and look at those pages. Outside of those walled gardens, just a sense of how much targeting is possible, is offered by the DSP's or the SSP's at the moment?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: So the, within the
20 DSP's, a fair amount is available. So I think the ones mentioned previously like Trade Desk, Ad Form and Xandr, they do offer similar sort of targeting. From an SSP perspective, because we are trying to look at the shortest paths to supply in utilizing SSP's, some of the SSP's do offer sort of inventory or audience packages and again that targeting is based on a number of criteria and variables. But it can be quite similar, it just doesn't necessarily include search intent.

CHAIRPERSON: And I'm interested that you reference your

interaction with SSP's because I suppose maybe for an outsider in this, you get this view that the publisher only deals with the SSP who then deals with the DSP through some exchange and then the DSP only deals with an agency such as yourself or direct to the advertiser. But you're talking about you know, relationships with SSP's. So can we get a more nuanced understanding of the relationships that do exist and why you would still be asking for specific SSP's to channel your products and whether those instructions to DSP's?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Yeah, sure. So, globally
10 our investment teams have been trying to understand the programmatic supply chain because a lot of our collective client's investment goes through programmatic. It is a high growth area and more and more channels are coming online onto programmatic. Connect to TV and programmatic digital out of home in particular. In markets we are very close to catching up too. So, our investment teams continually look at where is our programmatic investment going globally collectively? And have actually publicly announced partnerships with three SSP's, Magnite, PubMatic and Index Exchange to help us simplify the programmatic supply chain, reduce
20 our alliance on a multitude of SSP's and basically deliver the shortest path to inventory possible which works in the benefit of our clients and the media owner effectively selling that inventory at the end of the chain. So even though we use the DSP and our trading teams are logged onto the DSP's, they are loading creative, they're looking for audiences, they're buying media, they're optimising media within the

demand site platform interface. We are also looking beyond the DSP, further up the supply chain I guess, to understand what's happening at an SSP level, so we can simplify the programmatic chain effectively. So that's why, even though the SSP's have a commercial relationship with the publishers, we still need to understand the full supply chain which in programmatic has been a little bit messy, but collectively there is a lot more transparency coming into the programmatic supply chain and I'd like to think we're helping drive a big part of that.

10 CHAIRPERSON: So what would you give instructions to your DSP that please use these three SSP's, don't bid on inventory coming from other SSP's? Is that how it sort of works?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: That is an instruction we can make to our teams who are actually operating in the DSP. So, you can, as a trader, a programmatic trader operating a DSP, actually select which exchanges or supply site platforms you would want to buy on. We often run campaigns specifically on certain SSP's and sort of AB test against each other to understand the pricing, the inventory availability etc. of the SSP. But the truth is, and we've noticed in South
20 Africa, we cannot only buy off our three globally agreed SSP partners because that throttles inventory. We still get a lot of inventory from Google ad exchange so we can't just turn that off. That would be to the detriment of our clients who are investing in programmatic and still expect the same level of reach and impressions.

CHAIRPERSON: I think I've got even more confused now, but let me

– So I suppose you know, the view often painted is that SSPs can access any inventory and DSPs will programmatically bid and choose amongst the SSPs offering inventory and it's happening so fast. You know, you've just gone from one website to the next in the cookie world. That's a second and now something that's available and decisions are made, can only be made electronically and programmatically rather than by a team sitting there. So let me just start with the first one on the supply side. So is it not the case that every SSP has access to every - ?

10 MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Not necessarily. And just a point of clarity. It's not my intention to sort of confuse. I'm really trying to assist and help sort of understand this sort of AdTech landscape. The SSPs are also, do need to liaise with the publishers and you know, I think a lot of the SSPs, and I'm sure more of this will come to light later in the week, but they would have publisher relations employees who, if they realise a particular geography or market makes sense to grow, they would then go and meet with all the publishers in markets and try and make sure that they sell inventory, that they then sell that at a publisher's inventory.

20 CHAIRPERSON: Alright.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: So, I wouldn't say it's automatically available. The SSP's would need to meet with publishers or at least have some level of communication with them because from a publisher perspective, I don't think a publisher would necessarily want every single SSP to sell their inventory on their

behalf. Publishers would also, I'd imagine, optimise which SSPs they work with.

CHAIRPERSON: Alright because they'd approve an SSP to be able to access their inventory and so it is still a choice that they make. And Julian, you're doing a great job of helping us understand so that throw away comment wasn't meant to discourage you, it's as you peel away the layers, more questions and more questions come up and I think it's certainly beneficial for us in the public that we start to understand some of this. I mean you also mentioned, in a sense it's not just your
10 relationship with some of the SSPs, but also how publishers might have relationships with DSPs. I mean it's partly that you can access, I think you mentioned certain inventory, so Walmart has a partnership with a DSP to sell its inventory. Again this is sort of at odds with how we often were thinking about it that a publisher only deals with an SSP and then it goes into an exchange. So, is that also happening a fair amount with publishers and why do they want a relationship with a DSP?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: So that seemed, I think the example I gave was more to, again that was a you know, a
20 massive North American operation which I don't think we could compare too closely to maybe some opportunities on our continent, but the, I think the truth is that a lot of businesses globally would prefer to also see more options on the DSP perspective and it's very unlikely Walmart would have structured a deal like that with Google to make the Walmart inventory available through Google's DSV. And they

definitely wouldn't have done it with Amazon's DSV given the obviously conflicting business models in the retail space.

CHAIRPERSON: So you mentioned getting more options and again, you know, I'm going to ask you maybe this all is a magnitude bid, outside of buying on Google and YouTube properties, I mean how much do you use the Google DSP's, I think it's Google Ads and DV360, for accessing third party inventory? Is it a substantial amount? I mean I think you said you're not going to choose loads of DSP's, you are going to use a few though?

10 MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Ja. The Google Ads and the 260 usage is high without a doubt. When we're evaluating DSP's we also try and have a single view of the customer and trying to deduplicate reach. So if you're using multiple buying platforms, often it's difficult to deduplicate the reach because one platform I tell you you're reaching a million people and you might get the same story from four platforms, but are you really reaching four million people? It's sometimes hard to deduplicate that reach and to show our clients a fair, valid, truthful answer of reach which is one of the reasons using a smaller number of DSPs would definitely be helpful. So, in orders of
20 magnitude, DV360, Google Ads are quite high up on the list without total digital investment.

CHAIRPERSON: And just moving onto you, I think it was your path optimisation, and you spend a lot of time explaining how you're trying to, I suppose, have the shortest route that also benefits the publishers as well in receiving the funds. I mean this is again an area where I

think the media feels it's, there isn't much transparency and you know, I think we heard on Friday as well, one mentioned an experiment by the Guardian newspaper where it advertised on itself and reckoned it got 30% of the total spend. I just wanted to understand from your side you know, what is sort of, what do you think, sorry, I think either we froze or you froze for a moment there, Julian. Julian, can you hear me? Julian, are you –

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Sorry, apologies. My internet dropped momentarily. The last I heard was on Friday as well,

10 I think you were referencing –

CHAIRPERSON: Can you still hear me, Julian? Julian, you back?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Sorry, I'm not sure if you can hear me? I've lost audio. I'm just trying to –

CHAIRPERSON: Alright, I can hear you, so –

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I don't know what happened there, apologies.

CHAIRPERSON: Can you hear me again now, Julian? Apologies everyone, we're just trying to get hold of Julian again and just bring him back on stream.

20 MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I'm back.
Apologies, I hear you loud and clear.

CHAIRPERSON: Great. So, let me just go over it again, Julian. As I said, you've looked at path optimisation partly to make it simple but also to cut some of the costs to the benefit of your client and also the benefit of the publishers on the other side. And all I was saying was

this is an area where the media feels is not transparent and there's various, maybe let's say views going around, but the one presented Friday was an experiment by the Guardian newspaper where it advertised on its own inventory and on that experiment it said it only got 30% of what they spent came through on their side, suggesting a very high take out. I mean we see many numbers and it's quite confusing for us, but maybe if you could give us a sense of what the range may be because I mean what you've sort of highlighted for us today is you could optimise that path or you could have not a very
10 optimal path or you could have those you charge more. But what is the range, from your estimate, given that you don't necessarily have a full line of sight that disappears between the spend on the advertiser's side to the publisher's side?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: So it's very difficult to estimate that range. I mean ideally that would be as high as possible. The reason it's difficult to estimate are, I guess the limited information we have on our side. Not all DSPs share log level data and our log level data gives significant information into what were the bids we placed on inventory? And again, we're talking billions of data points
20 because we bid often and your win rate is only, not every bid is a bought impression because not every bid matches the selling price that is required for the instant programmatic exchange to happen. So that's one of the reasons we are a bit short on the information. It's interesting to hear The Guardian test. I know, I forget the exact timings at this point but there was an interesting study published by the ISBA,

a sort of a, I think a UK or European based body done in conjunction with PWC to understand the, I guess where various elements of the supply chain were allocated to which areas? The agency, the buyer, the seller etc. And at the time there was a percentage of the missing middle which was a percentage in the missing middle which was broadly sort of uncounted for which is one of the reasons our supply path optimate station view has been, we interrogate it really closely. But to answer you directly, I can't give you an answer on the South African missing middle or what the actual take rate is on Publisher side. We simply don't have enough information.

10

CHAIRPERSON: I mean I think it's interesting that those on either end of this chain don't know and don't have line of sight. I mean are there any DSPs, or now you've got an SSP relationship as well where you can get that information so you have a full line of sight? Or is it none of them are able to give you that?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I believe industry bodies could definitely get together and from the buy and sell plus the intermediary aside, figure out the exact take rates across the chain.

20

CHAIRPERSON: Sorry, we're just checking with each other as we, we just need to wrap up and I must thank you for the amount of time you've given us. You mentioned WhatsApp and I just want to understand you know, is that an ad, growing as an advertising channel? Are they advertising products on that? I mean we've seen some changes with communities, with the channels. So as a media agency that's looking to buy, I mean is this now on the radar?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: As a media channel to purchase inventory on, no it's not really on the radar. There is limited, I guess digital media inventory available on WhatsApp, if any. WhatsApp I guess serves more of a technical purpose to build communities which could be linked to sort of mobile commerce, but it's not necessarily a place to advertise on. Where clients have properties on WhatsApp or communities or growing sort of mobile commerce channels, we can use inventory that's available across Meta's other suite of products and channels like Facebook and
10 Instagram, as examples, to direct traffic to a client owned WhatsApp property. But within WhatsApp itself, no, there's not much available, but across the wider Meta ecosystem, yes there are advertising options directing users to WhatsApp.

CHAIRPERSON: Alright, so it's directing the client more than anything to say you can engage with you know, your database of consumers to interact with them?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Correct, yes.

CHAIRPERSON: Maybe just one last area before we give you a break from your seat, but on the click fraud, ad fraud and verification, I'm
20 just you know, you know you say you do verification and as I understand, GroupM has a load of tools to help you with verification. I mean I would have thought this was something done by those in the ecosystem, the DSP's or at least on behalf of advertisers. I mean, we also heard Friday that ad fraud is potentially one in three dollars which is a frightening number, but you had said you know, there's ways to

detect this and investigate it. But are you having to invest in verification or are the tools in the industry improving for you?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Well, we utilise third party tools to help in this area, the likes of in Integral Ad Science, Double Verify, Oracle, there are a number that we use. The investment required in these tools is I guess paying their rate card for usage to just sort of measure and track. These tools do offer and look, I know we're short on time, but to your question about do the DSP offer these tools inside of them? Yes, to an extent. So, one view here
10 and to make the split clear is the tools offer opportunities in programmatic to measure pre bid or post bid. So, if we're going to buy the pre bid version of the tool, which is before the bid happens, so basically that happens in the DSP where we would select the usage of one of these third party verification partners to block bids before they happen based on you know, signals of ad fraud, bad, unsuitable brand safety or low levels of viewability which don't match the thresholds we're trying to achieve for our clients. So that would be the pre bid side which blocks the bid completely. That is implemented within the DSP and the flows of funds means that the cost of that third
20 party verification provider for that pre bid activity is added on to the DSP invoice to the advertiser. On the other side is post bid which would be after the bid and that's where you would get more information and intel back from the third party verification provider giving you a bit more clues on where to optimise and make changes. But that would be after the bid has happened so there's more

information on which were the websites, which were not suitable from a fraud, brand safety and viewability perspective.

CHAIRPERSON: And if you suspected –

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I hope that helps.

CHAIRPERSON: Ja, no that helps a lot. I mean, if you suspect, so let's say this post bidding you picked up that it went to you know, a particular site where you think fraud is more prevalent, I mean is there any recourse for the advertiser if there had been some ad fraud or click fraud?

10 MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Again, there are many scenarios to figure out, that's why we try to stay on top of this 100%. The growth in ad fraud is, look the bad actors are always trying to get one step ahead of the game so they can continue with their dodgy behaviour and their gangster like revenues right? And the usage of AI and generative AI is one area the fraudsters are increasingly exploiting because they can quite easily, through the use of generative AI, create YouTube channels and pretty big looking sort of media empires with pretty sophisticated content generation which might be very real time and basic creating made for advertising sites.

20 So, ja collectively we definitely need [indistinct 01:58:55] this behaviour. But in terms of the recourse to the advertisers, yes you know, certainly our clients should never be paying for fraudulent inventory. We work hard to push it out, but it's an onward moving battle.

CHAIRPERSON: I'm sure and I think we've seen that picture. Sorry,

one just follow up on that. So, are media sites a big area for this fraud? I mean you mentioned sort of showing that you're a media empire but is media particularly vulnerable to this because we also heard last week that AI is scraping their stories and repurposing them, BNN being a particular interesting player in this with reporters that seem to be able to put out articles within seconds of each other. But is this a real particular threat to media or is it broader than them?

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: I think it's broader than just media. If we look at the number of national elections
10 happening on the planet this year, the amount of mis and disinformation that is likely in many election countries is going to be quite staggering. So ja, look the digital media ecosystem, and in particular the influence of social media, is something we need to watch very closely.

CHAIRPERSON: Julian, thank you very much for the time you've given and the time also in making submissions. As I said, I think this is partly an education process as we go through these hearings for ourselves, the public, and even, to be honest, some of the media and I think you've given incredibly valuable insights from the other side of
20 that, that chain which is the advertiser side. So we really must thank you for sharing that with us and hopefully you'll continue to follow the enquiry and we'll have future engagements as well.

MR. JULIAN MOUNTAIN - GROUPEM NEXUS: Thank you very much and the best of wishes for the rest of the week. Thank you.

CHAIRPERSON: Thank you. And we're going to now take just a five

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minute break and then whilst we get our participation from Dentsu online and ready to proceed and that will be the last session until 1 o'clock and then we'll take a break until 2 when the SABC is coming. Thank you.

MR. JULIAN MOUNTAIN: Bye. Thanks.

ADJOURNMENT

CHAIRPERSON: Welcome back to the first day of the second week
10 of the Media and Digital Platforms Inquiry. And now we have Dentsu International represented by Sadiqah Levy. Welcome Sadiqah.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Hello. Thank you. I've also got present Leilani that's with me in the room.

CHAIRPERSON: Alright. We also had Leilani's name and I didn't know if they were joining us. But thank you so much for making the time and also thank you for your submissions you made to date. We did have, I suppose, one of your competitors, GroupM before you, just hearing about the advertiser's side. And I think it's of a lot of interest especially to the media companies and for us to understand the whole
20 chain. But Sadiqah, maybe, I know you don't have a presentation, or at least I'm informed you don't, but I think before we have some questions maybe if you can just give a, at least the public, an understanding of who is Dentsu? Well, also who are yourself within Dentsu? What does Dentsu do and where it sits in this whole value chain from advertisers through to the publishers?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So I'm Sadiqah. I am the Group Performance Director for Dentsu Africa. So I work across performance which is digital and tech. And then Dentsu is a global agency, a media agency that has multiple agencies sitting within Dentsu, from media brands to digital agencies and creative agencies and we are a global agency as I've mentioned. And basically buy media on behalf of our clients. If we look from an AdTech perspective, how we purchase media based on client's challenges so brand's challenges and then we build partnerships with our partners
10 across the globe, not just locally.

CHAIRPERSON: Great, thank you, Sadiqah. So, I think just coming at it from your side as an agency, and this was a question I had for the, for Julian as well, but just to get a sense of client expectations around budget and performance, I assume as the performance director you're looking at how those ads perform and where to get performance out of the ecosystem, but have we seen with digital and programmatic advertising that expectations have shifted around what performance they can get for what sort of budget?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So yes, I think for
20 South Africa because we have lots of challenges from a loadshedding perspective, obviously from a marketing perspective, clients' budgets have shifted to buy digitally. So where we and how we purchase is obviously aligned with what client's challenges are and at the end of the day if you drive performance you're actually buying audiences and following audiences within the ecosystem and that's where

programmatic obviously falls apart of that ecosystem in a whole realistic digital approach that we do.

CHAIRPERSON: And just as I understand also part of the, I suppose, the funnel, as it's often called, I mean there's sort of raising awareness, there's making it top of mind, there's in driving the conversion down. So would you have different objectives for different parts of the budget or for different clients in terms of their campaign objectives?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So, yes. We
10 obviously buy differently so whether you're buying CPM or CPC buy based on the funnel and how you need what the KPI's [indistinct 02:12:36] campaign and the objectives. The budget allocations will obviously be different where allocating the budget. So if it's for awareness, consideration and engagement and conversion, each part of the budget and the buyers will be completely, our buying methods will be different.

CHAIRPERSON: And you mentioned that there has been a shift to digital and you linked that partly to the challenges. So, do you think in
20 a, I mean, if I had to maybe speculate, are you saying that maybe in more challenging economic times, budget suddenly shrinks and people want more out of their budget because they are under pressure from other parts because they are under pressure from other parts of the economy or other expenses.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, that's correct. So clients are being challenged to spend their marketing budgets very

wisely so we've got to make sure that we spend those budgets where they're getting the most value from.

CHAIRPERSON: Just so we get a bit of a sense and we see the advertising trends over time, but is there just less money for advertising or is it just shifting their budgets?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: I think for each brand it's very different so some might cut spends completely. We do the challenges within a brand or some might just be shifting spends more into digital.

10 CHAIRPERSON: Alright, but digital scene is more, let's say cost effective for the performance you get.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, cost effective and also like you can speak to the data and see where consumers are actually engaging and what type of consumers. So there's obviously truth in the data that we provide because we can track consumers from a digital perspective.

CHAIRPERSON: Alright. I mean data does seem to be important so is this the data you've got out from, or the performance reporting you get from, I think we're now more familiar with the lingo, DSPs or some
20 of the platforms that sell their own inventory?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, that's correct. So it's obviously two fold, like we can either use client's first party data or it's data that we build in the technologies of the DSPs.

CHAIRPERSON: Maybe if you can just unpack that from the client's data and then the DSP data. So is the client's data what, sales they've

seen or conversion rates or may just help us understand the two sides to performance.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So clients have their own data based on consumer and what they've gotten back from their consumers whether it's subscribing to newsletters or promotional cards or I don't know, like promotions that they run across their stores. So they gather their own data and then from a platform perspective, once we start opening the funnel from an awareness perspective, we can then see who's engaging with the brand and then start targeting
10 them and obviously making sure that they engage and build up a new entire data segment for clients based on interests.

CHAIRPERSON: So if you were running, let's say an awareness campaign, you would get data back from the DSP about some of the demographics of psychographics of people who did engage that advert and so then that helps narrow your target after that. Is that what I understand to be the case?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, that's correct.

CHAIRPERSON: I mean I think you, you know, we heard in the, through the last person that sometimes also the clients will come with
20 some of the publishers or properties and inventory they would like to be on, I mean just to understand from you, does that happen and why does it happen?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So yes, clients do request which websites they want to be and it's obviously based on performance and results they've previously seen and therefore they

want us to purchase back on those websites.

CHAIRPERSON: And Sadiqah, I mean we heard last week as well that there was a debate about whether advertisers who's seen performance might then start to buy direct on those websites or whether they continue to do some of the programmatic and target those websites through the programmatic which might come at a lower cost per thousand. I mean what is the behaviour you're seeing for those clients that do see some performance on certain websites?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So, it's obviously
10 based on what they see they're performing. So a lot of clients, so we've got a, it's two fold again, some clients want to purchase directly or from the website and not allocate budget in the DSP or some just want to target the website through the DSP.

CHAIRPERSON: And I'm sure there's a mix. I mean any sense of people trying to use their DSP to target more than deal direct? Because I think what we heard last week is that with a lot of publishers they obviously want to sell their best inventory direct and then they'll also release inventory that's not sold through their side, the SSP. So I suppose the question is, is there more of a shift towards targeting
20 through the DSP?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So, I think because we're following an audience, no matter how you get that audience, the goal is to drive performance to that audience so that they can engage. So at times when you also purchase like directly with a partner, you might still get that website through the DSP

because you're tracking audience behaviour and you're not really buying impressions on a specific site because we're buying through a DSP that has multiple websites. And because we're tracking audiences, we are making sure that we get to that audience at the right time and when they are consuming content.

CHAIRPERSON: And just so I can understand, I mean what is the kind of data or information you're getting on performance from your DSP's? I mean, apart from just you know, we used your budget to generate this many impressions and it had this many click throughs
10 at a cost per click of so much, I mean are you getting information that says well, of those impressions served, so many were within your target audience, so many had these interests that we can verify? So just trying to understand the level of granularity of performance reporting that happens.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So again it's based on KPI and objective of a client so it's what client wants to see we report on because we have, obviously we have access to the data in the AdTech platforms and we set up our campaigns based on the KPI's of a client. So what they want to see we build up our strategy
20 on that and then we report back on what they want to see. So it can be based on entrance, location, the audience types, age, demographics, etc. but again it's based on what they want to see as a client.

CHAIRPERSON: I suppose, Sadiqah, the question is almost like if I went to say Meta and put in my variables and factors and bought a

budget and my bidding parameters, I mean would I get a report that says alright, 20% matched this interest in your list of factors, 30% matched this? Or is it a bit of a black box that well I put in those parameters and we trust that it happened?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So, yes we need to put in the parameters but we also need to make sure that we have the right resources that can build out more granular reporting for us based on what the data says. So we build those skill sets within our Dentsu teams that can give us more than just a black box.

10 CHAIRPERSON: Alright. And do you get that data from the DSP's or the publisher websites or do you have to go and seek to build that verification outside of that ecosystem?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So it's basically we get it out of the platform but we make sure we have proper tracking on it so that if we are looking at other tech to support and analyse the data even further, that that tracking mechanism is placed on the ads.

CHAIRPERSON: And we're starting to be educated a little bit on click fraud, ad fraud which are terms that we weren't that familiar with when we started the public hearings and as we understand, click fraud is
20 where these bots go and click on adverts to use up an advertisers budgets but there's no human at the other side and I think ad fraud is slightly different where you might fraudulently masquerade as say a media company and sell ads when in fact you're not and that takes ads away. I mean, how big is the problem of click fraud and ad fraud in digital advertising in South Africa?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So I, like it's probably, it's there right, it's real. We obviously use different technologies to ensure that we eliminate those type of problems for our clients. So we have technologies overlaid onto our DSPs that we pay for so that we can make sure that we don't tap into that space and that we're always looking at what is in that space and how do we eliminate it?

CHAIRPERSON: And how do you help your clients, if I can understand, avoid falling into the trap of, let's say click fraud as the
10 most obvious one. I mean is this an arrangement with the DSPs? Do the DSPs have tracking of which sites are more likely to be vulnerable to click fraud? Just give us an insight.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So yes, there's a lot of work done from a DSP perspective. So basically they have obviously their own, they are tech partners, they're not, like there's a lot of work put in from their side to eliminate that so that they can also look at what's happening in the system. And therefore like even when we run campaigns they are, at the end of the month we can see what has happened in the campaigns from the click fraud and like just bots
20 getting access to our campaigns and basically we don't pay for that type of behaviour.

CHAIRPERSON: Alright, you don't pay for that behaviour, I just want to understand then does the DSP said I bid on this and this was click fraud to the website or wherever it was and they also get compensated?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: I'm not sure with the DSPs how it works on their side.

CHAIRPERSON: Alright, I mean it may be, well I would be speculating at this stage. Do you know if the DSPs, if sites pop up that are looking to sell advertising as sort of, I mean click bait and drive traffic and then use click fraud to get the money, I mean do DSPs engage with like your web engines or search engines around how to bring that down? Do you know what's happening within the industry to try and stop this?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: No, I'm not, I don't
10 have any context of what because again, these DSPs obviously more in line of a text so they've obviously got their resources that is trying to work on the structure, but I'm not sure what they are doing behind the scenes to make sure that it doesn't happen.

CHAIRPERSON: Alright, hopefully we'll get to ask some of them as well, but Paula you've got a question?

MS. PAULA FRAY: Hi Sadiqah. I know that when you're placing ads you really are following the audiences and it sounds like it's quite automated and that you're really using technology to guide that process, but I'm wondering, from Dentsu's point of view in looking at
20 those audiences, whether ads with content that is more credible like news has a higher value for you than simply content that is being produced possibly either through generative AI or by people who don't necessarily have as high standards of content as news publishers might be? Would you place a higher value on news content in those cases and with those audiences?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So again it's different based on audiences and how they engage right and consumer behaviour. So it's based on what their interests are. So every day the algorithm changes based on consumer behaviour. So today we might see that there's a high intent on news and then tomorrow it might be in shopping and the next day. So because digital is very agile again consumer behaviour is very agile so you've got to, and therefore we track audience's space. But there's no specific, we build out different, basically what the interest in, interested in, but
10 again that behaviour changes every day so there's no clear view of what that looks like.

MS. PAULA FRAY: Thank you.

CHAIRPERSON: I mean, just help me understand. So are you saying you're seeing today that there's high intent on news? What do you mean by that? Intent to buy once I'm surfing on a new site or how - ? Help us understand.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So in terms it's like not just to buy. So if you are on a new site and you're reading an article and there's an ad that you're interested in and you're going to
20 click and if you're not interested you're not going to click on it right? That person might not convert but they'll show intent into that brand. And then tomorrow we might put that ad, or it might be showing on his shopping website and then they might buy. So again that's why their behaviour is so different from the news to any other category because it's based on their intent and how the consumer is absorbing that

content and what their intention is on the day.

CHAIRPERSON: And how do you track them from one day to the next? I mean we had heard about third party cookies tracking while I'm in a session but how would you track them one day to the next?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we track them based on what the tracking we put on the creative and we build out our audiences in the platform. So we obviously don't just have one line item that we load within the DSPs. We have multiple line items and then we track their behaviour and we track the audience through
10 the ecosystem so that we can get them to purchase.

CHAIRPERSON: So, I mean is this is a form of third party cookie where you tag someone and then just follow them?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes.

CHAIRPERSON: And can you do that whatever site I, let's say it's me, I've gone to today? So if I engage your advert, I get tagged and I get followed around over the subsequent days? Is that how it works or do you have to go through someone who does that for you?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we'll do it. We'll basically track you based on what your intents are on the different
20 days but we also have obviously frequency cappings, so we cap and we don't waste impressions.

CHAIRPERSON: And is that a third party cookie that we understand will start to shut down this year? Or is it a different technology?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we basically use CM360 or Seismic which we obviously track our campaigns on

and the tracking will be on all our campaigns set up from creative setup pushing through to the DSP and then we start tracking.

CHAIRPERSON: Alright so it's not a particular DSP that does this for you, it's more other tech, alright? As I understand it.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes.

CHAIRPERSON: I mean I did want to get a sense from you, you from the advertiser, when you say that they might sort of say to can we look at particular websites based on performance, what are the, is this fairly random or are there websites or platforms that come up more frequently in terms of the request for putting their budget in there?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So it's requested base right? So it's based on loyalty and obviously these clients or brands have been on these websites for years, they can see the engagement so therefore they're still requesting to go onto these websites. Yeah, so we basically based on the request from client, we purchase for them on this website directly on their behalf, but it's based on what I seen and again, based on the results that departments are giving them.

CHAIRPERSON: Alright. I just wanted to understand, I mean we've seen, which I wasn't necessarily aware of, that some of your media companies are selling promoted posts either on social media or also trying to sell where they have a partnership with YouTube that a particular sponsor or advertiser can be on their YouTube video appearing. How big has sort of promoted posts, so I almost align myself with YFM or SABC on their social media feed. How important

has that become or not within your world?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So again it's very difficult because like again you're buying audiences so if you allocate budget there it's not like there's a set budget being allocated, it's based on performance and how it works for clients. Sometimes it might only get a 5% of the budget, sometimes 10%, sometimes 1% or sometimes nothing because that's not where clients want to play in. So we don't really break it down to show what the percentage or, at the end of the day, what budget we're overall spending or tracking it
10 as promoted posts. Like we don't go that granular down to make sure that we're speaking to that specific ad unit.

CHAIRPERSON: But does the AdTech then decide, because I mean I understood those as more direct deals than might be. So maybe even in your decisions is not necessarily what the client sees but are promoted posts useful for advertising?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, it probably is. Like a lot of the times clients are, we show clients [indistinct 02:34:37] both, it's just from a budget perspective, it's not like holistically dense to look at what did we spend for the month on promoted posts
20 because it's more the client so whether it's a YouTube or Twitter or any other partner, we look at the overall spend there. So we are investing there, but it's not like there's a big focus, it's part of the buys but as I say it's different for every client.

CHAIRPERSON: Yeah because I suppose, I mean the question would be well I could buy a promoted post on Facebook or I could advertise

through Facebook. You know, is there a particular value proposition that a promoted post has that makes it attractive?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes, because you also want to tap into a different audience. So you still have your promoted posts plus your normal buy on Facebook. Again, playing within that same segment, so you're buying, we buy directly off from Facebook so if we shift budgets in between based on how the audience are engaging between a promoted post and a normal post, then we will shift spend to make sure that we're reaching our KPI's.

10 CHAIRPERSON: Because we are a performance agency, we need to make sure that all our buyers are in line with performance and we're achieving our KPI's and objectives of the client.

CHAIRPERSON: And that's what I suppose I hadn't maybe appreciated before today that you, if you're a performance agency you're more actively engaged in how to manage a campaign rather than putting in some specs to a DSP and saying deliver on that. So are you far more active around changing your campaign on a daily basis, is that how it works?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes.

20 CHAIRPERSON: And what sort of parameters are you changing? Are you shifting between different mediums? Are you shifting your targets or are you shifting from engagement to purchase?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we're shifting basically down the ecosystem, so from awareness down. We also make sure that our teams are hybrid specialists and trained on a

global scale so therefore they can basically shift budgets across platforms based on where we want that consumer or getting that consumer in the funnel.

CHAIRPERSON: Alright, that's definitely helpful. Thank you for that.

And just on the difference, I suppose, between search, social media and then the third party sites, I mean we've always understood search, you've got search intent so it's intent based advertising. I

mean social media, it's data rich and you can get their interests or what their friends' interests are and I mean it seems that it's a lot of

10 data driven. So search seems unique but the other stuff seems data driven, is that an advantage that those platforms have over the third party sites?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So yes, they do.

They're obviously tech enabled more than the other sites so they obviously, there's a lot of work that they put in to enabling their tech to deliver the results that we look for but again it's a full ecosystem

and we need to make sure that from attribution we enable all partners to drive the performance that we can reach our KPI's. So each partner or each like search on social and our DSPs all have a role to play

20 within the full funnel so that we can deliver our results.

CHAIRPERSON: And is there much, I mean sort of let's say interest or display advertising through the Google system or is it all just search intent?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: It's all search intent. So we buy search intent.

CHAIRPERSON: Alright, because we've also seen that Google monetises on the discover feed. Is that something that has come up in your new area for your placement of advertising? That seems more interest based.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: No, I haven't been privy to that yet.

CHAIRPERSON: Alright and just in terms of the demise of the third party cookie, we heard of some estimate from the previous participant, but from your experience how much of let's say spend tends to go into
10 that remarketing initiative that works with the third party cookie currently in South Africa?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So I mean if you look at the partners, they're obviously making sure that the technology becomes, that there's work put in and we need to enable certain things that the clients and the brands don't feel the impact. So there's been a lot of training around that and what we need to enable and how we need to do it from the client's website to [Mobi? 023:40:38] into campaign setup that our teams are working on so that there's not a massive impact when it does officially fall away.

20 CHAIRPERSON: And given all the work you've been doing, I mean what do you expect the impact will be more on where you advertise rather than let's say the, you're working hard to ensure the client isn't impacted, but to do that it might impact where you advertise or how you advertise. Maybe if you can give us some insight of how you think that's going to change once the cookies disappear.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we obviously need to do some work on it to see how it's going to impact brands and how it's going to impact us and how we buy, but until we get there like a lot of the work that we're doing is to secure our clients and make sure that they are covered, but that also they understand the impact, if there's any impact to us and how we buy, that they support us on that so that we can obviously make sure that we make the right decisions for our brands, but we'll only know once we get there.

CHAIRPERSON: And just on the DSPs and your engagement with
10 them, I mean one can place campaigns with different DSPs but do you tend to use this sort of smaller group of DSPs or do you switch and move between many DSPs for achieving your objectives?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So no, we try and keep it minimal so that we obviously buy efficiently for our clients.

CHAIRPERSON: So you just use a few DSP's?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: And then our
buyers are based on audience. So we make sure that we buy audiences. So if the audience is engaged because we're not just buying through DSPs, we're obviously buying different media on
20 different technology platforms so we make sure that we're not using five different options and keep it very small so that we can reach the consumer and make sure we give value for clients.

CHAIRPERSON: Alright, but for the digital side and the programmatic on DSP's you also try keep it small, is that right?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Yes.

CHAIRPERSON: And does that mean you've got more either efficiencies or you get a better price because you're bringing volume? Or both?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: No, it's more for the efficiencies and all the data sitting in one tech stack instead of using multiple that we've got to build out because obviously again that is efficiencies from a Dentsu perspective and how many staff we have running and how many campaigns running and then making sure that we are driving efficiencies across one tech stack and not multiple.

10 CHAIRPERSON: Alright. So I suppose each may report or have a different interface and so it's easier if you're dealing with one you know. Is that correct? Alright?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Because again, as I've mentioned, our teams are working, are hybrid, so they work across different platforms like social search and the DSPs so we can't have the working across multiple DSPs, it's not going to be efficient for them.

CHAIRPERSON: Alright. And I don't know if you can say, but who are the DSPs that you predominantly work with?

20 MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So I would have to just check with our compliance team if I can share that information because again that's obviously based on how we buy and our compliance needs to approve if I can share the details.

CHAIRPERSON: No, fair enough. And you know, I didn't raise it when we started but ja, you mustn't give us confidential information. I mean

is a factor in choosing the DSP how well it interfaces to some of the important SSPs that have a lot of inventory? Is that one of the factors that you also take into account?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So we build our structure in Dentsu around performance and tech and product enablement. So we make sure that when we look at what we're using that they are a tech hub, they can build our products that's sufficient for our clients and obviously that it's enabling not just one story but the full ecosystem of digital. So that is what we take into account when
10 we look at the partners that we partner with to ensure that as Dentsu we are making the right decisions for our talent sitting in the business and also for our clients.

CHAIRPERSON: Sorry, we had heard this morning that one might also build relationships with certain SSPs. I mean is that something you do too and if you do why do you do that?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: So no, we don't.

CHAIRPERSON: And is it because you see no value in that for yourself?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: I think so. Like I'm
20 not sure. We haven't gone down that avenue yet. I think because we are, we work obviously across multiple brands and we have multiple team members, we're trying to make sure that we are good in what we have at hand and how we drive that forward so we haven't look into it from an SSP perspective.

CHAIRPERSON-DENTSU INTERNATIONAL: Sorry Sadiqah, I'm just

checking the questions that I had whether any are left. I mean maybe just one last question. You know, I think Friday we heard from some of the media that they feel business in South Africa is not necessarily supported the news media. And has been seduced by, maybe that's an emotive term, but chased the lower cost per thousands or cost per clicks on some of the big platforms like Google or Meta. I mean what's your view on that comment? Is there still a fair amount of support for direct?

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Again, it's
10 basically like when brands cut budget they cut marketing budgets first so clients want to see value. So clients obviously look at cost also and we've got to drive that and support that strategy for them. So if clients are looking at cost, we need to make sure that we are buying based on what that requirement is for client and then if there isn't partners that is falling in line with that then it's unfortunate but sometimes clients see the value of these news portals and therefore they want to be a part of it and they'll pay to be a part of it. So it's again based on the client, how agile they are and how we need to support that narrative for them as their agency.

20 CHAIRPERSON: Well thank you, Sadiqah and thanks for coming to participate today and to Dentsu International for agreeing to be in part of the public hearings. I think the public hearings do play such an important role in informing the public as well as those that maybe in different parts of the value chain around what happens, how it happens so that not only can we understand and make some findings

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in this enquiry but also I think become more informed as to how the whole value chain operates. So I think your insights have been valuable and I do want to thank you for your time and your submissions and also for hopefully submissions if we have some follow up questions.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Perfect. Thank you so much.

MS. PAULA FRAY: Thank you.

MS. SADIQAH LEVY-DENTSU INTERNATIONAL: Bye.

- 10 CHAIRPERSON: Bye Sadiqah. And that does conclude this session. We'll resume at 2 o'clock with the SABC who will be in the Dtic campus with us. And then this evening, from 5 to 8, we have Microsoft.

LUNCH ADJOURNMENT

- 20 CHAIRPERSON: Welcome back on day 6 of the public hearings of the media and digital marketing platforms market inquiry. This afternoon we have the South African Broadcasting Corporation and online we have the Chief Operating Officer Lungile Binsa and we have Moshoeshoe Monare from the news and a team to support both. Lungile so I don't know if you want to introduce the team or if you want Moshoeshoe to do it from here. Lungile, I think you are on mute? Can we try again? I think we may have fixed it.

MR. LUNGILE BINSA - SABC: Can you guys hear me? I was talking to myself there.

CHAIRPERSON: We are trying to fix it we cant hear you.

MR. LUNGILE BINSA - SABC: Ok.

CHAIRPERSON: Lungile can we try again? I think we may have fixed it?

MR. LUNGILE BINSA: Yes. Can you guys hear me?

CHAIRPERSON: I can hear you faintly but not sort of the quality for the ...

10 MR. LUNGILE BINSA - SABC: Oh ok. Maybe in the meantime then Moshoeshoe on that side, can introduce everybody both physically with him as well as the team that is virtual on this side. Thanks James.

CHAIRPERSON: All right, we will do that. I think they're sorting out where the problem is, so Moshoeshoe do you want to go ahead?

MR. MOSHOESHOE MONARE - SABC: Thanks very much again, my name Moshoeshoe Monare, I am Group Executive for News and Current Affairs, SABC News. With me is Angie Kapelianis, Head of Digital Audio Visual, that's responsible for both radio and digital. I've got [indistinct 00:11:44] Miliwa who is also Head of our Regulatory
20 and Legal. And with him he is assisted by Tommy Sadike and Mia Mackan. And to my right also we've got our Digital Editor who would also be helping me with the presentation, Aasra Bramdeo. Thanks very much.

CHAIRPERSON: Thanks Moshoeshoe. Lungile, I believe you had some opening remarks before we proceed with the presentation. Is

That correct?

MR. LUNGILE BINSÁ - SABC: Yes, but I am not too sure if you guys can hear me now with this technical problem.

CHAIRPERSON: We have you loud and clear now.

MR. LUNGILE BINSÁ - SABC: Okay, cool, thank you very much. And I just want to also apologise to the Commission, I was travelling and I am still in transit so I am only getting back to Johannesburg later this evening. And good afternoon everybody. Also on the line with me is the colleagues that also helped us to put together the presentation for
10 the SABC, both from ENS as well as FTI, so I just want to acknowledge them as well. Colleagues without wasting too much time because I will hand over to our group executive for Technology Mr Moshoeshoe Monare to take us through the entire presentation. But I just want to position this from an SABC perspective that we do carry the public service mandate to inform, to educate as well as to entertain and that comes from the Broadcasting Act of 1999 as amended. We've got over, well not over, but 19 radio stations and we also have six television channels and then we've just recently in the last year and a half launched our own digital platform which is SABC
20 Plus. From our perspective and Moshoeshoe and the team will talk to this, it is something that is of concern because we do depend largely as the Public Broadcaster on the advertising revenue, even though people will think we might be having something from the fiscus it is actually only contributing about 3% of our overall revenues. Which makes us to be, even though we are a public broadcaster that

has the public mandate, but we should also be employing some commercial activities in order for us to survive because we go out into the market just like any other person to compete for the advertising revenue. With those opening comments and remarks, James and team, we hand over to my GE for News, Mr Moshoeshoe Monare to take us through the presentation and his team. Mosh, over to you and the team.

MR. MOSHOESHOE MONARE: Thanks very much, can I continue?

CHAIRPERSON: Please go ahead.

10 MR. MOSHOESHOE MONARE: Thanks very much ladies and gentlemen, I will just start by locating SABC, especially SABC News within what Mr. Binsa was saying it's a public mandate which really positions as a unique media organisation as opposed to your ordinary media. Which the reason why I want to emphasise that is the paradox in terms of the funding on the one hand, but also the mandate that we need to serve millions of South Africans, without which we will be negating the principle that is, you know, expressed in Section 16 of the Constitution. So that's going to be the scheme my departure in terms of where SABC comes from and especially SABC News. We,
20 over and above the mandate, over and above the Broadcasting Act, over and above the Electronic Communications Act, ICASA Regulations and other regulations, we operate on the principle of universal access in a sense that we do not have a luxury of segmenting our audience or excluding particular audience in order to meet particular commercial objective. But we are expected to provide

a platform to all South Africans, that is why we always capture it in the phrase plurality of views and diversity of opinions. It's a burdensome mandate if you think about it in a sense that especially now that we are facing elections that we are expected to reach every corner of South Africa irrespective of the economic status of the audience. And that is why if that mandate is not met the majority of millions of South Africans actually will be left without any platform to express themselves or get information from. Having said that, I've already touched on our constitutional obligation which is Section 16 which

10 obliges us to give expression to all the fundamental rights that are outlined there which is the right to the media, the freedom of expression, the right to disseminate and impart information. Also, unlike other private media we are also obliged to give expression to Section 30 of the constitution which is more about the right to language and cultural participation. That is the mandate in which we don't have any option from saying whether we have to carry out or not. The SABC News content is expected to meet particular criteria and requirements. As I've already explained that we operate in a very highly regulated environment given our public mandate, I've already

20 alluded to that in terms of ICASA regulations and other statutes that regulate us. But most importantly the Constitution. Unlike other media organisations I've already alluded to that to say we cannot, we don't have the luxury of excluding any part of the audience so the issue of plurality and diversity of views it's one of the cornerstones that says if we don't do that we will be failing out in carrying out that mandate.

And I've already also alluded to as a public broadcaster we are expected to provide our news or other contents in all South African languages, not just 11, but 14, 14 in a sense that we are expected to also provide in sign language, we are also provide into sign languages. And that also it tells you that you need in as much as we are public broadcaster, you need some form of sustainability because it means the same content that we are competing with other private media, it has to be also told in different languages. Not translated, but told in different languages in a sense that Gogo Dlamini or
10 someone from rural Limpopo, rural KwaZulu Natal must be able to say we are not an appendage to the English news content, but we are very much part of what the public broadcaster is broadcasting. Just for a few seconds I am failed by technology, this is where I really miss the book and paper technology. We have already spoken about the obligations to provide our content in all the official languages, but also we are obliged to provide information or cover what we call national, important national events. You know, I'm saying this because my background I used to be in the private media in which we can pick and choose which event we cover. But these events we are not covering
20 them for the sake of Government or for the sake of public officials but like I said, we serve people who depend largely on us as a platform in order to gather information for the [indistinct 00:21:32] that is why we have to you know we don't have to like [indistinct 00:21:37] any test to say, but this is not news worthy, it's more about the millions of people that we cover. And also we are obliged to, when we offer our

content, especially digital content to make sure that it is accessible to everyone in terms of the band width and also the [indistinct 00:21:57] data, we do not have the luxury to say our audience is a particular high economic segment, but we have to do everything in our power in line with the principle of universal access to make sure that our content is accessible. And also the products that I have alluded to at the beginning that with all this, we have limitations on the kind of advertising and sponsorship that we can [indistinct 00:22:29] as you know that ICASA Regulations and other regulations limit us in terms

10 of what the kind of sources of revenue that we can use. But at the same time while we've got those restrictions we still have to be sustainable as a public broadcaster. I think we will also show that Mr. Binsa has already alluded to it that the big chunk or the large part of our revenue actually comes from commercial advertising which is the anomaly given the fact that we are public broadcaster, unlike our counterparts in other countries. I know the Namibian Broadcasting Corporation 85% comes from the public purse, the British Broadcasting Corporation depends largely on TV licences. With us TV licences is very miniscule and the rest is really fending ourselves

20 in the commercial arena. While we still have to carry out that mandate, we have to fulfil those regulatory requirements, we are still expected to compete, we are still expected to use the news value judgement in terms of what is new content and what is not. In a sense that if we are obliged that we need to serve all South Africans but we still have to provide content that is competitive, the content that someone might

say but this is not just content for the sake of it, but it is a high quality accurate news content. We can go to the next slide. And while we are facing these challenges, the news environment has changed a lot in the last decade or so as some of you will remember that 20 years ago or three decades ago, we used to be the more dominant player in terms of both radio and television. And the news platforms or quantum platforms have converged so much, have transformed so much that actually the linear, legacy linear news platforms are not the only platforms that people go to. In as much as most of our audience especially on free to air, still depend largely on our linear platforms, but you'll still have especially the young ones. I mean South Africa, if we are to believe the latest sense from Statistics South Africa, the maiden age is 27.6 so which means if that particular audience we do not necessarily depend on our linear legacy platforms. Which means as SABC we are also forced to play in the digital era. There are challenges there which I think is the thrust and the gist of why we are here today. We, as I've already alluded at the beginning, we largely on digital, we are available on our own platform on SABC News.com which is a news platform and however most of our audience we go through the third party over the top platforms. Even though we do use our own platform, that is SABC Plus, but we do depend on third party, that is for instance in this case YouTube. Since we started our YouTube channel which is about two decades ago, I think cumulatively the live audience that we have accumulated over time we are talking over a billion. But, if you look at the proportionality of

revenue in terms of the content that is at these third party platforms, we cannot really with confidence say that we are really getting what is due to us, given the investment and the cost of content. I've already said at the beginning that we are obliged to provide our content in multi-languages, in multi-platforms that is radio, digital and television, but if you look at the cost, especially the cost of input, the cost of news gathering, the cost of production versus what some of these platforms especially multi-national platforms are getting. And also what they are giving us, for example in terms of YouTube, the kind of revenue
10 that is really shared with SABC, it's a fraction in proportion to what is in proportion to the cost of that content. That is one of the issues that we need to highlight to the Commission. Also just to, while we are there I'm going to in a short while give over to my colleague, just to also explain the limitation and restrictions on some of these platforms in a sense that while we are not just, to give an example, while we are not supposed to be restricting our content in line with the principle that I've highlighted at the beginning, which is the principle of universal access, our content is exploited in a way that it's restricted in a way that we cannot understand this new explanation in terms of how we
20 are restricted on some of these platforms. This is what Aasra, my colleague will be talking about. I think I've already also touched on the issue of revenue that we are competing in an environment in which we are supposed to be public broadcasting but our revenue comes largely from commercial revenue which is a really a burden on our public mandate. And also a challenge to our sustainability in the

future. So I will ask Aasra just to highlight the main concerns with the digital platforms that will include the lack of transparency about various visibility and operational issues. Also the lack of transparency in terms of paying for content produced by SABC. Aasra, over to you.

AASRA BRAMDEO-SABC: Thank you, [indistinct 00:30:08] good

afternoon Chair. So I think perhaps the one thing that we should say is that SABC News or we did not necessarily strategically move legacy content onto digital platforms. It was something that we had to do. In essence we felt like we had very little option at the time. But I think

10 also that there had been over the years a number of advantages for us. However, I also think that we as the SABC as the Public Broadcaster playing on an extremely uneven playing field, one of the main things perhaps we should talk to is algorithms and ranking and how that limits us as the SABC in terms of our content that we put online. First of all algorithms are complex, they're continuously evolving, they change all the time and as a content producer you actually don't know from day to day what the key requirements are.

So if you don't know what the rules of the game are you're not going to be able to play them fairly, first of all. I also think that they limit,

20 and for me this on a personal level, this is perhaps the most important thing, that they limit the content that people are able to access. So there is very little in many ways freedom of choice in respect of what kind of content I as a user am able to access. You might be able to see what you want to see but how do you then see what you need to see. And that for the Public Broadcast – from the Public Broadcast

perspective, is I think an extremely important point. Ours is not just to share content, but it is to share content that people need to know, not just what you might like to see. So I think that's really, it for us is the bottom line of the bottom line of where we start and how we see our online content going forward. Articles from the SABC up until very, very recently have largely ranked outside of sort of the most popular searches. So if you search for a news article, generally the SABC, even the latest news article might come up on page 3 or page 4 or maybe not even at all. And that has been a huge challenge for us

10 because we have not really been aware of what the criteria are first of all, we've not until very recently played in terms of search engine optimisation for example. And of course then when your articles do not come up there is a huge impact on your credibility. You know if you're not in the top three then do you even exist. And even if you are how credible are you as compared to all those very big, very popular you now, 20 million sort of followers kind of news organisations. So I think from a public perception of how the SABC shares content and the kind of content that we share, it has really impacted very greatly on our online platforms. There've been also

20 obviously then lower click through rates etcetera. So the lack of transparency about how we can improve our rankings outside of search engine optimisation tools for example, has been another big challenge in terms of operationally for us. But there are few other things that perhaps I should quickly talk to. And one of them is paying for content distribution. And it is not something that is within the ambit

of the SABC so we won't pay for example to boost a post. Or we won't carry sponsored content on any one of our platforms necessarily. And when we do the comparisons at the end of every month when Mr. Monare asks us for a report, we can see that it impacts on us really very negatively. We also, in line with sort of universal access with our constitutional mandate, we can't place our content behind a pay wall. It just will not work, it's not in keeping with who are as the SABC. And so not only does it mean that our content is not shared and not distributed, you know, as frequently perhaps of as widely those of
10 other more commercial news organisations, but it also means to a large extent that we don't get the clicks. So nobody clicks, nobody likes, despite the fact when you click on a SABC News article, you actually go to an article and not a pay wall, it really impacts dramatically on how our content is circulated online. We've also had some experience with our content in a way being censored, so shadow blocking for example. And content being blocked or certain kinds of content being blocked on specific platforms, and even then to a large extent initially we didn't even know why our content was not being circulated. Why it was not reaching the targeted audience for
20 example and was quite a revelation when we eventually figured it out and kind of joined the dots. So the shadow banning experience for us was a great learning curve, but since then obviously we've seen a fair amount of our content on certain platforms being blocked outrightly, dependant obviously on the specific content, like for example the Palestine conflict etcetera. And of course now with some

of the social media platforms sort of outrightly saying you know we don't necessarily support news or political content. The other thing that we've found from an SABC perspective is the inadequate technological support for our African language content and I know when you had SANEF last week somebody made mention of that as well. The fact that a lot of our African language content is not searchable and when you do search it the chances of an accurate search are also kind of uncertain. So that for us has been a fairly big thing because I think if you can consider our numbers from legacy
10 platforms, you look at radio numbers and then you look at what we have online, we see very, very clearly that a lack of support for these languages means that it is not possibly being shared as widely as it could be. The other that I think I alluded to a little bit earlier is this whole idea of profits versus the quality and you are measured even though we are the Public Broadcaster as a measurement in terms of news content generators, you're measured against each other no matter what. And the one thing that we see is first of all that the quality is not necessarily what the focus is. So whether you're a credible news organisation or whether you're – my 13 year old nephew
20 broadcasting on his YouTube Channel, it actually doesn't matter. We are all treated in exactly the same way. And we are all seen in exactly the same way, so the lack of support for credible news content generators and more specifically for an organisation like the Public Broadcaster is massive. The other thing which I alluded to a little bit earlier as well is that our focus as the SABC is on journalistic integrity

on making certain that we are highly regulated, so making certain that every single piece of the way that our content is checked and double checked and verified. And I think that, you know, I'm not saying that we don't make errors, because everyone does, but I think that our track record speaks for itself. But that is not a consideration, it is not a consideration at all when you're sharing content especially on the big tech platforms. We've seen it with for example the manipulation of our content on video channels for example, and it just does not bode well for a credible or an organisation that bases our practice on

10 credibility and ethics. And then finally, like I said, the measurements. We are all measured in the same way. The fact that if you click on an SABC News article online you're actually going to go to an SABC News article online, you're not going to go to a pay wall. Just not seen in terms of the bigger commercial picture to impact very much, but for us it is a massive impact and of great concern. And I think that is essentially it from me. Mr. Monare? Oh, so yes, on the limited data transparency from the platforms perhaps is a big thing for us. We've had major impact in terms of how our content is being used by online advertising for example, and by the other content generators as well.

20 So our logos are being used, our faces are being used, our voices are being used with very little control, very little support for getting those things stopped etcetera. Also the lack of transparency around how platforms determine the advertising revenue is also for us a big concern. We as I'm sure you've seen in our initial submission, do have some sort of revenue sharing with YouTube for example, but the lack

of accountability in terms of – or lack of accounting for that revenue is also of concern. So yes, there is a profit sharing agreement in place, and yes, there might be a payment at the end of the day or end of the month, but how that is determined is still very much up in the air. And very little clarity about that. So the final thing perhaps I should say around that is the manner in which on an operational basis these issues are dealt with. So very often it is time consuming, it takes a long time to get a response. It takes even longer sometimes to get a resolution or a solution if at all. And on the other hand I should perhaps put in that when you have a strike against you when you do something wrong, there's very little leeway. And you're very much left to your own devices in terms of having to kind of solve those kinds of problems. I'm not saying that there is a total lack of support but generally that it is very slow in forthcoming and often very delayed.

MR. MOSHOESHOE MONARE: No, thanks very much, Aasra, thanks very much. In conclusion as we have already stated to say from us it's more about levelling the playing fields. And also taking into consideration and into account our role as a Public Broadcaster and also the future sustainability of public broadcasting in a country like South Africa, because some of these multi-national platforms do not operate in a country with the dynamics like South Africa, with a history like South Africa. And that is where the role of Public Broadcaster is very much important. And also just to say, look in terms of restrictions and limitations on our part and obligations, you know as a public mandate some of these multi-national don't have similar restrictions,

don't have similar regulations that are imposed on us which is really unfair competition if I have to put it that way. But also digitalising the importance of public broadcasting. Thanks very much. That is all from us, we will invite if there's any further questions.

CHAIRPERSON: Thanks Moshoeshoe, I think Paula do you want to start?

MS. PAULA FRAY: Thank you very much. And thank you very much for bringing such a comprehensive team to the Competition Commission today. Part of the process of having a public hearing is also to educate the public about the issues that we are dealing with. And so firstly, or thank you very much to the SABC for your submissions because they were quite comprehensive. We are also looking for evidence and so actual examples of the issues that you're talking to, so I want to just maybe take you through a couple of those issues and I want to start off by asking the question. You have a public broadcast mandate, 19 radio stations, 6 television channels, your own digital platform SABC Plus, obviously SABC online as well. But what does the public broadcast mandate mean when it comes to the actual stories you tell that other media don't do?

MR. MOSHOESHOE MONARE: I think in my introduction I will also ask my colleague, Philly to add on. I think in my introduction I did allude to it to say, as the Public Broadcaster unlike any other media, firstly we don't have any luxury to pick and choice because it's more about our obligation to the broader South African public. And let's not forget that in South Africa in as much as there is the saturation of

media outlets out there, there are still millions of South Africans that depend on SABC for their everyday information. And that is where as a Public Broadcaster we come in. But also secondly, I've already mentioned it my introductory remarks that the way we package our content is in a way that someone who speaks Sesotho, Afrikaans, Isizulu, IsiXhosa, will understand that actually we tell their own stories. Not translating their stories from you know, big metros and translate them into a language, they understand that we tell the stories of their villages, we tell the stories of – it's more providing them with a voice, 10 it's more facing us as a platform in order to, if I could put in a way that you know, giving the voiceless or the powerless a platform to hold the powerful to account. That is our mandate in a sense that when someone in any part of the country says I do not have, I don't have, I cannot afford to subscribe to a digital platform, I cannot afford to buy a Sunday newspaper. Where do I get my information because the constitution says I've got the right to information. I have to be informed as a citizen in order to make an informed decision be it during elections or in any public forum. That is where we come in to say you do not have to pay for that information. And this is where as the Public 20 Broadcaster it's our role to give expression to that Section 16, that is why most of our audience just to give a background in terms of our platforms, we've got Free to Air, Television Current Affairs and Bulletins. We are talking about SABC1, 2 and 3 and that is where African languages, I'm sorry, all the languages, bulletins and current affairs are aired. And that is where you will see the bulk of our

audience. We are talking about plus minus 14 million of our audience there. The same thing on radio. In as much as people tend to think that you know radio is gone, but if you look at the power, the gravity of our radio content, the majority of South Africans still depend on radio. The last count we looked at about 38 million a week in terms of people who depend on our content for public information. So it's not just the issue of competing for news as someone in the commercial market, but to say but we do have an obligation and a particular mandate that we cannot fail South Africans. Thanks very
10 much.

MS. PAULA FRAY: Thank you. And to deliver that news, I mean how does your, how big your newsroom and do you then have journalists who are reporting in 13 languages if you are in fact distributing news in 14 including sign?

MR. MOSHOESHOE MONARE: Look, if you look at our news room compared to our colleagues in other media, you might say it is the biggest. You know, we are talking about plus minus 700 permanent staff, that doesn't include independent contractors in the form of freelancers. The news gathering team we are also talking about plus
20 minus 100. I'm talking about the input side. However, if you look at the mandate again it's really an over stretch on the team because the same team still have to give quality content for radio, for television, for digital which is more fast pace, the same team still has to provide current affairs to radio platforms and TV platforms in different languages. So which means if you are ENC just to give an example,

where your language is just a singular English language, you would understand that the team is overs stretched. But have said that, going back to the point that I've made before that if you look in the cost of producing that content, and how it is used in one of these multi-national platforms as opposed to the revenue that is going back to the SABC it's really something that is deplorable and also it's really a danger to the future sustainability of public broadcasting.

MS. PAULA FRAY: Thank you. And I think a lot of media – sorry, go ahead.

10 MR. MOSHOESHOE MONARE - SABC: I just want to emphasise some two points from what he said. I think it's very, very important to emphasise that our mandate is beyond profit making. And that should end up being our role, whereas other players are profit driven, they do what is of commercial interest, then what is within their means. Now you've asked a very fundamental question around what does it take, what resource does it take? If we had to use a business decision you'd shut down half of news, if you understand what I'm saying. But because our mandate is not profit driven it is more about transformational, it is more about achieving the key fundamentals
20 around your constitution, it's more around addressing the historical problem of access to information by most of South Africans. That is why if you go to the charter in The Broadcasting Act which is where our mandate is based, you realise that our mandate is just far beyond, even though we are allowed to make commercial revenue. But that commercial revenue is meant to actually help in terms of the delivery

of public service mandate. So that's what makes us totally different and I think the element of commercial gain might be confused when you look at others players that are in the market because they want to compete with us as though we've got declared dividends to shareholders. Ours is to take from the left and give to the right so that we are able to deliver on our mandate. So that makes us uniquely different. And as initially indicated that revenue is so miniscule it doesn't really help much. As I'm saying, I mean with the news, with elections now, with all the programmes that have to be run, because
10 it's not only about information. Our mandate is in terms of the Act. We have to inform, educate and entertain. And this isn't just beyond news, it's across our programming. We need to provide diverse programming across cultures and languages, that in itself takes a lot of resources, so hence we are saying as the SABC, whatever that happens online, if there's no fair play, we are more hard done by because a little resource that we earn is meant to really enhance our public service mandate. I just want to emphasise that point, thanks.

CHAIRPERSON: Sorry, can I just understand, I mean in terms of the obligations, there are constitutional rights that must be upheld, but are
20 you saying you solely must also uphold those constitutional rights or you play a role in upholding the constitutional rights based on your mandate?

MR. MOSHOESHOE MONARE-SABC: Our mandate, I think the Constitution is an overarching board as you know, we are there to uphold, we are there to make sure that the Constitution gets

meaningful in terms of the role that it plays as one bigger player within the South African society.

CHAIRPERSON: It was just a question ...[intervenes]

MR. MOSHOESHOE MONARE-SABC: If I may answer that? Look, in terms of the constitution the fundamental right in the constitution, sure I mean if you look at Section 16 it was not accorded to the media just for the sake of them – for the sake of the profession. But it was to the extent that we give expression to ordinary South Africans in terms of them being able to impart and simulate information. And that
10 is what we derive our power, that is where we derive our mandate.

CHAIRPERSON: So if there's a – let me call it a retreat of commercial media away from certain reporting because they as we heard last week are constrained, does that increase your mandate, increase some of your obligations to ensure that if those are not being heard through other means that you now must be deliver on them?

MR. MOSHOESHOE MONARE: Under normal circumstances even with the you know let's say success of commercial media, we still have that obligation, we still have that burden because if you look at South African society, hence I'm saying it's a unique feature of South African
20 society is that the majority of South Africans do not have access to that information, you know, both in terms of affordability, but also in terms of the telling of the story. I mean if you look at major media organisations, there are only, they can only afford to be in terms of news gathering, they can only afford to be presence in major metros, you know, we are talking about Johannesburg, Pretoria, Durban.

Actually some of them have shut down the bureaus in some of the metros. But as SABC we are not, we don't have that luxury because it's not about the particular segment of our society that is attractive to advertiser, but it's about the fact that we are liked upon and trusted by the majority of South Africans. We are the only organisation that still has a footprint throughout South Africa. So in that sense, yes I agree with you to say the more there is a decline, actually that is what I tell my colleagues, that the more there's a decline in the other commercial media, that burden actually is even more on the SABC to carry out
10 that constitutional mandate and constitutional obligation.

MALE SPEAKER - SABC: Let me just quickly on this, online media is dependent on data. Data is cost. What are the [indistinct 00:57:06] in South Africa? This is one fundamental problem that inevitably SABC will have to come in by default. The majority of South Africans they don't have access to data from a cost point of view, secondly, even though we are available throughout the country, not everyone is able to accept the signal. That is still an issue. We've got about plus minus 4.5 [indistinct 00:57:29] that are actually not even having access to television. So you can see the dependency on SABC as a source of
20 information, let alone any other thing from an entertainment point of view. So that question is much more loaded than just them retreating and ordinary citizens having an alternative. It is a much more economic issue and it is much more bigger given that if you stay in an area where there is no signal, you cannot afford any decoder that can give you satellite access, who are you really dependent on. So it is

much more bigger than that in terms of – and that is why our role is then the statute that we need to provide universal access and service to South African public, because of the recognition of the disparities. Thank you.

MS. PAULA FRAY: A number of media have come to the inquiry and have said their economic crisis that they face right now has actually imperilled in many ways, the ability to deliver the kind of news that they want to give to their audiences. Now I hear what you're saying about your mandate remains whether you have the money or not, but
10 I also know that SABC has retrenched, has had to shrink its staff etcetera. So in this economic climate what is the cost you're paying for this digital disruption?

MR. MOSHOESHOE MONARE -SABC: I can only speak from a news point of view. Look we also feel the impact of both digital disruptions and economic crunch and the [indistinct 00:59:09] conditions, that is why we are talking about the future sustainability of SABC. We are not talking about profitability but we are talking about, for the sake of South Africans you need a sustainable SABC. Whether through public, a particular public funding model, that is another issue. But in
20 terms of what we are saying here is that the content that is produced, the volume of content that is produced by SABC, if you look at if the playing field was levelled, actually we should be able to sustain ourselves in terms of producing that content. And also meeting the mandate that we are talking about.

CHAIRPERSON: You raised the issue of funding and in response to

the further statement of issues that we released which highlighted the SABC as being more misdistinct[?], one response from a platform was, well you need to sort out licence fee collection and you need to sort our Government funding. It's not on the platforms to support the SABC. I mean I would understand that's a lot more complex. You can't just continue making losses and be funded by the fiscus but maybe can we get the SABC's perspective on – in a sense that how deep is that funding that you can get. How easy it is to collect licence fees in the South African context, and so how easy are those

10 alternatives to plug the gap?

MALE SPEAKER -SABC: Thanks. I think the context which we can answer this is to look at the cost of mandate of the SABC versus what it actually is able to access, whether it's the 3% from Government, whether it's from advertising, whether it's from licence fees. That actually starts to show you the dichotomy that SABC finds itself in. The notion world-wide is that public broadcasters are funded and the reason why they are funded is not because they do not have the ability to generate revenue, it's because they've got a very limited mandate. Let me just draw a very simple example, if you go to your rural area

20 where you have an obligation to make sure that people can access information and content, when you put a transmitter there for them to access our signal, you do not check what is your financial return. You look at the public value that we'll be delivering to those people. Our counterpart being a commercial fee to air, they will check and say but if you put a transmitter that costs us 10 million, what are we going to

get if these minors, they'll be reluctant to put the signal. Now, hence we term, I wonder if maybe you might have explicitly put that we've got what you call unfunded mandate. Public Broadcasters Public Mandate gets to be funded. In this country it is not funded and that is exactly where the problem is, so the losses as a result of trying to make sure the South African public accesses our services more than anything because you make mention of – Moshoeshoe made mention of for example the Namibian Broadcasting Service, he made mention of BBC, the list goes on in Europe and so on. Public Broadcasters are highly funded from the public. But here once the market jitters like we've seen we are the first to feel the pinch and we've seen it. And I must add that coming to the online digital debate, there is a growing trend of advertising shifting to online from traditional to conventional broadcasting. So that in itself doesn't make life easy for us in the sense that our conventional or classical advertisers are now starting to look at the space where it's quicker, faster to make money. Which we said we have no control on and we cannot even influence. So our problems are just getting compounded by the changing economy as we are saying that there are shifts in terms of where people want to invest and put their money. They are also because there's not any additional funding that we are receiving. And also that even the viewing patterns or the consumer patterns are also changing. So for us to keep up with all these just using private money as in from advertising, it is just a bit too ask for us. So it is very important also for us to get that context. But I think to a large extent

the void in terms of funding of public mandates it has a huge impact on us, though we still have to go into the market like any other player. And just to even the SABC Plus, one of my colleagues have just heightened that you know even though we have it, we still need to have a service provider that we pay to run it, so the costs are just getting, escalating every time, we just need to want access money.

CHAIRPERSON: Paula mentioned that you had closed, had closed some bureaus and there had been some retrenchments, so it seems from all the discussion last week there are few strategies that are
10 being used to manage this reduction of revenues but still trying to deliver on news. And others are the user freelancers, the juniorisation of the newsroom and it seems from what we heard last week that, I mean although these are not your first choice and you may be forced into it, it does start to impact on the journalism profession and your ability. And so I just wouldn't mind your inputs on that and also in terms of not just English language, but your African language where you might be the only ones who are employing people at least in radio or television?

MR. MOSHOESHOE MONARE-SABC: The impact is there, you are
20 bound to feel it in a sense that the – in order to provide that kind of content you need quality, very senior journalists. What's happening at the moment is that under the current circumstances we are trying very hard. But my biggest, biggest worry is the fact that if that quality is going to be compromised going forward, remember you are competing with fake news. You are competing with misinformation.

And that is where my biggest worry, that really gives me some sleepless nights, is the ability that our quality assurance mechanism will be able to pick up that this is misinformation, this is fake news. And the reason why I'm saying this is that the majority of South Africans still trust the SABC, I think the current study by the Institute for Reconciliation and Justice, if I'm not wrong, alluded to that and also the earlier study by Human Censors Research Council where people will still we want to know if this true, we have to rely on SABC. But the more the new rooms are being depleted, the more we have to

10 rely on junior staff. The risk is actually that, that is the quality assurance that our internal mechanism will it be able to decipher the truth from fake news out there. So it's still a real challenge. But like I said, I've got a fantastic team in a sense that under the circumstances we still really trust you. But secondly, in terms of the language, it's still also a challenge, not just from a financial point of view, but from also South African dynamics point of view, you know my children and the next generations are what I can loosely define as suburban children who some of them can speak African languages, some of them cannot actually even read or write in African languages.

20 As a public broadcaster it's something that I also express concern with the South African Language Board that it is a challenge in terms of future provision of content in African languages. It is a challenge, however, the positive is that over years we have become a training ground, we have become an institution in providing multi-lingual broadcasting and it's something that internally we are talking about

how do we take advantage of that – the institutional and historical build up to sustain ourselves. But it is a challenge, it's something that I cannot be defensive about. Thanks very much.

MS. PAULA FRAY: Thank you. I didn't fully begin to touch on it but could you give us a sense of how your audience behaviour is changing and shifting online and what those trends are? Just in ballpark figures what you're experiencing.

MR. MOSHOESHOE MONARE-SABC: Before she goes there, I've already also touched on it to say we still, what you call Linear Legacy
10 Media is still the backbone of our audience. I mean we see it on your Zulu bulletins, which is actually is one of the most performing in terms of the numbers. So Free to Air which also goes back to the issue of public broadcasting, in terms of universal access, it's still the backbone of our audience.

AASRA BRAMDEO -SABC: I think in some ways it has changed a lot moving our content onto digital platforms. At digital news for example we are showing content on our website, via our App in some instances on the Plus channel, as well as numerous social media platforms and we've seen growth in some areas. We've also seen some of the
20 challenges in respect of the kind of content we share and how we share it. And also the kind of resources that we have to put into sharing the content. So not all our content for example is tailor made for each platform, which doesn't bode very well for us. But it's purely a resource thing. We've also seen while in some instances the audiences are similar or the same, in other instances they actually are

very, very different. For example with the SABC's move to digital and the switch off of some of the analogue receivers we thought hey, you know, this will be a fabulous opportunity to see whether there's a rise in the online audiences. And actually we haven't seen that which goes to show that first of all yes, there is the demand for the Legacy platforms are still there. So it's possibly not even the same audience, it's possibly a very different audience which is key in terms of if we were to have different resources, the kind of strategies we should sort of be employing going forward on the online platforms. So I think it

10 has changed in many, many ways. Also the kinds of content that people want to see online perhaps is a little bit different to what they want to see on the Legacy platforms. And the other thing that I think is important for us and we've seen it with a few of, for examples, our live streams, is the fact that sometimes you are taken quite by surprise in terms of what kind of content people are looking for. So some of our best performing content on YouTube for example might be you know smaller not as important stories but it also goes to show that some international news which might not necessarily make the biggest news content on any of our television bulletins for example,

20 or on our website, actually perform really well with the online audiences. So yes, there are challenges and yes the audiences have changed and the viewing patterns have changed. But my personal take is that it's not necessarily the same audience. It's probably new and different. There might be overlaps but different audiences.

MS. ANGIE KAPELIANIS-SABC: If I may add, I don't know if this is

the right phrase but it's like being a little bit schizophrenic, you've got your audience on your traditional media, then all of a sudden it's Instagram, then it's YouTube, then it's TikTok, then it's WhatsApp, then what next. So we are quite fragmented but if you had to consolidate us you'd see the huge audience. And I think just to add onto what Aasra said, you think TikTok is for a certain audience, you think it's short form video watching. We look at our numbers, the numbers might look low but the video views are huge. A million plus. I mean, and that is not a 30 second video. We didn't go and just do
10 that video for that platform. So there's a lot of learning, there's a lot of trying to figure out things and just when you think you've got the recipe, something else is happening and something else is changing. But basically I think like most, we're having to go where the audiences go. And if I can go back to the public mandate, it's an unfunded public mandate and I want to pose the question what if the SABC weren't there. Many might say what a relief and we don't have to put money into that, but think of the colonel question what if there wasn't a Public Broadcaster? What would not happen? What would happen? Call it a public news service, a public media service. Imagine a South Africa
20 without that. Could we live without it? What would we lose? So I think there's a lot of kind like framing around the questions that we might have to answer and that we're expected to do without basically kind of the finances and funding.

CHAIRPERSON: And that is a big question and I suppose again when we looked at the terms of reference even for this, we thought

broadcasting sounds important in the South African context, it's not something that is being picked up globally. I'm just wondering to what extent is the SABC also being spared a little at the moment because platforms are not good at language, because of data costs. And this might hit harder in future when some of those change. I mean do you map out your sort of – I'm sure the SABC plans ahead. But do you think your audience mix is going to change much more dramatically as the years roll by and how do you see that playing out?

MR. MOSHOESHOE MONARE - SABC: Ja, look, what was it, was it
10 late last year when the BBC issued a statement that they might have to do away with their Legacy platforms and beyond digital. It's something that we can take for granted but if you look at the maiden age for South Africa, like I said 27.6 it tells you that you will need to also position yourself in a sense that that actually it's where you're heading to. So I foresee a situation where most of our future audience will be captured through the non-linear platforms, that is largely digital. So ja, it's inevitable, it's a reality that is facing us, digital is no longer the luxury of saying it's digital first. But it's the reality of someone and it's even more about – you know the change in consumption
20 behaviour. It's more about someone saying I want to know what is happening now and I want to know that from the palm of my hand, I don't remember when was the last time I have to drive home in the evenings saying that I want to watch 7 o'clock news because that was the only time that you will know what is happening or wait for a newspaper truck the following day to know what the President said in

Parliament. It's no longer like that. It happens and people prefer this. So that is where it is going and as SABC we cannot divorce ourselves, it's no longer about the platform. You know I will always say to my colleagues to say, some time ago I can call you a television journalist or a print journalist or a radio journalist. But it's more about the content and where it lands it's about the audience. And that is where the pull is, it's no longer about but you are a broadcaster. Even the word broadcasting I don't see it really surviving the next decade or so.

MS. PAULA FRAY: If you listen to what Aasra is saying it's not that
10 you're taking existing content and simply putting it onto other
platforms, you literally have to produce content for the way the
audience wants to consume it on the different platforms and so there's
an additional cost and an additional activity. So I wonder if maybe we
could move to your digital strategy, your income and actually
advertising. In your submission you pointed towards declining
advertising and challenges in actually being able to generate income
from digital. Could you speak to your strategy there very, very briefly
and give us a sense of what those challenges are that you're
experiencing?

20 MR. MOSHOESHOE MONARE - SABC: Sorry, I want my colleague
online to talk to that because like I said I don't want it to be a case of
an editorial man talking about sales and selling news.

CHAIRPERSON: Annie, can you hear us, do you want to come in?

ANNIE VEERAN- SABC: I lost sound for a bit there, can you please
repeat your question? Can you hear me?

MS. PAULA FRAY: Hi, Annie, can you hear us?

ANNIE VEERAN -SABC: I can hear you guys, I lost sound for a bit, can you hear me?

MS. PAULA FRAY: Yes we can. Did you hear the question? So the question really is we're kind of shifting from audience to digital strategy and the particular challenges that SABC has in terms of monetising its digital space.

ANNIE VEERAN- SABC: Okay, so currently we are now fast tracking on trying to sell on our digital space. And with the news app being put
10 in place we are looking at revenue there. But not a lot of our advertisers usually go into the news space, they're more into the entertainment space than they are into news, depending on the business that they are into. So our news does not get as much revenue as you would expect as our entertainment segments would or our radio stations would compared to news. So news doesn't get that much revenue as well.

CHAIRPERSON: Can I just ask, I mean how it differs online versus Legacy for news? Because just trying to think back to also when I last
20 watched television, you know, those slots were prime time. There was a lot of people watching and so you did sell, but now when we move online when it's fragmented and then it just doesn't sell anymore. So just to understand that dynamic. I think Aasra, you want to respond?

AASRA BRAMDEO -SABC: Yes, if you'd allow me. So the one thing that I think we've been talking about a lot is the fact that in sort of

Legacy Media news often occupied prime time space. And prime time space came with prime time advertising rates. And with news no longer necessarily in that prime time space the SABC has certainly kind of a decline in the - first of all in the amount of advertising in that space. And I think also in terms of the share. I do not know that there might be sort of direct analogy but I think we can also see that in terms of the licence revenue collection. So with the advent of SABC News content specifically going online, when our audiences can access it anywhere, anytime, essentially the same content, in that same period

10 we have seen a very dramatic decline in the collection of licence fees. And I think for certain there can be a very strong analogy made in terms of how then the change in how people view our content has kind of impacted directly on revenue.

MS. PAULA FRAY: And what other challenges are you also finding in terms of monetising your content online? And we'll get to YouTube separately. But I'd like to particularly find out in terms of what restrictions you have as a broadcaster that actually publishes in different languages. Are you experiencing any particular challenges around that?

20 MR. MOSHOESHOE MONARE-SABC: If you remember during my introductory remarks I did mention that look the – for example, in terms of that principle of universal access, we cannot put anything behind the pay wall. We cannot really say this is our premium content. It's more available to everyone. So in terms of monetising that, I'm not talking advertising, but in terms of monetising, in terms of

subscription, that's a challenge for public broadcasting service to say you cannot exclude the majority of your audience on the basis that you would want them to access it through subscription for example.

MS. PAULA FRAY: Do you have a sense in terms of your advertising income, what percentage of it comes purely from online?

MR. MOSHOESHOE MONARE-SABC: Maybe Annie can answer that question. Annie? But it is not much in terms of online at the moment. We are still in terms of news generating through the linear platforms. Annie?

10 ANNIE VEERAN-SABC: Hi. So cannot give an actual number but I do know that we did have some revenue come in, but it's not as much as you would assume it to be. Due to, as I said, due to certain clients because their particular – I mean we can't just advertise with any advertiser on news, we have to be very sensitive as to what clients we allow to advertise on our news platforms, because we have to very careful. As we all know we are judged by a mandate. So that's where the main issue is, is because we're mandated, we know that SABC is under strict rules and regulations. So we can't just take money from any client and just put them on news. They have to be in line with what
20 our messaging is. And that's where the issue also comes in about news not getting as much revenue as we should be.

MS. PAULA FRAY: Thanks Annie. Could we talk about your YouTube strategy, I mean is that about an extension of your audience, an extension of mandate or is it about also trying to derive income from existing products?

MR. MOSHOESHOE MONARE-SABC: Technically it's both in a sense that while someone thinks of SABC News as the content laying on the Legacy platform that is radio and television. That's when we realised that actually even on the digital platforms our audience wants to be visual in terms of they consume our content. That is why Aasra will give the figures, that is why that is the most performing if you can put it that digital that we have. And let us to also rethink the strategy of our website to say, but people don't see us heavy text, they don't see us as a print newspaper, but as an audio visual platform. So as

10 I've mentioned at the beginning that that also if you look at the amount of content and audience compared to the revenue that we get from Google, per YouTube, it's really it's kind of like an unfair competition if I can put it that way. Aasra?

AASRA BRAMDEO -SABC: Yes, I think YouTube obviously is our biggest sort of external platform and performs relatively well. Our February numbers for views were over 19 million, almost 20 million views just for Feb alone. And we put a fair amount resources into the content that we put there. It also allows the freedom to do a number of things that television does not. So on or via our YouTube channel

20 we can do five streams simultaneously, so you can show five different kinds of events all at the same time. We're hoping to be able to do more. But that kind of thing which allows our audiences the choice that they would not have had previously. And I think that for us is very important but it's also important to note that once again at the time that we entered into our partnership with YouTube, I don't think any

of us sort of anticipated what the result would be first of all. But also it was the only available option we had at the time. And when we entered into it, it was a discussion we were having the other day actually, no one was even doing online transactions. We didn't even have proper credit cards that we could use. Over the years we found that the growth and the support generally has been fairly good and fairly consistent, however, at the same time the lack of transparency of terms of how calculations are made for example, and I'm not just talking about monetary calculations, I'm talking about accessing
10 content and downloading content. And in fact accessing our own content has been very difficult to calculate. So it's those kinds of issues as well as of course the transparency in terms of revenue collection that prove to be very challenging. You know a large amount of SABC News content is available on a platform like YouTube. And the return on that is very difficult, would be very difficult to calculate. I think even if one knew what the calculation boundaries were. But it is actually very, very unclear to us in terms of how that is calculated.

CHAIRPERSON: I believe Annie, you want to come in on this?

ANNIE VEERAN-SABC: Yes, I just wanted to agree with Aasra
20 because YouTube, okay I'll put my camera on now, YouTube takes about, actually not about they take 45% of our revenue. So that also means that we don't get as much revenue as we should because YouTube takes a majority of the revenue in advertising. So they have their own set of clients that would advertise and they would take the majority of that advertising in terms of revenue.

AASRA BRAMDEO -SABC: May I add? I think the other thing that perhaps we should here is there is no accounting. So nobody comes to me and says, okay this is the story you put out, this the money we've collected and here's your 45 or 55% right. I don't know, I've got to take your word if you're paying me. There is no paperwork, I can see on my channel well, this is what your monthly revenue is but how it is allocated for example and calculated like I said, is just very unclear.

CHAIRPERSON: Thanks, we do have a few hands online, I just want
10 to confirm though that these are SABC employees, I think we've got a Celeste. Celeste, please come in?

CELESTE-SABC: Hi, I'm Celeste from the digital department at SABC. I work with Annie. So what we've done is, is that in the last year we've done a lot of – our team has done a lot of auditing, we've looked at our digital platforms especially how we can increase and make money or revenue from it. So our strategy moving into the new fiscal 24/25, is that we are like the YouTube, your Facebook, especially for live content, there is only a limited portion that you can go and stream live before it's actually cut off. So what we've started
20 especially now with SABC Plus, we're trying to migrate or divert our advertisers to SABC Plus and our audience to drive audience to SABC Plus to view the content. Because remember on SABC Plus all our linear platforms are simulcast on SABC Plus. So whether it's news, sports, SABC1, 2 and 3 and then our radio platforms, it's all simulcast what you hear on the radio and on TV you see it on SABC

Plus. So that is what we're trying to do for the new fiscal. We will have YouTube and everything but we're going to try and drive our audience to SABC Plus so that we can now see the audience and the audience can see the content via their phones and their websites. And that's how we're going to start creating revenue around the platforms as well.

CHAIRPERSON: And that seems to suggest and we heard from many who want to do the same, get you to their website direct or that you can monetise this content more effectively yourselves than you can through a platform. The one question I did have on just YouTube is, I noticed that in their partnership programme you could bring ads direct to YouTube and you could try and sell those at a premium because the advertisers would be guaranteed to be associated with your content. Is that something you've tried to make use of? And then also whether you also charge 45% for that as well?

CELESTE-SABC: No, so we've got a rate card, we've just launched our first ever SABC digital rate card. And on there you've got YouTube which we sell pre-rolls. And that is a new option, like an option that we now give to advertisers and there's a CPM rate across the board for pre-rolls on the YouTube. And then like with news and again we'll say that with news it's specific clients, it's all about the content or the pre-roll that we're going to apply to anything across digital when it comes to news. We have to go back to the news department just to clarify if the content can be used on YouTube as a pre-roll like on the websites, on SABC Plus around views. So it needs

to go with the mandate that news has. It's not like the other platforms. So you've got that specific little barrier that you have around news. So we do have a rate card, news is involved, news is our top performing digital platform currently where that website it's performing very well. YouTube as well, so yes, we do have a rate card for it.

MS. PAULA FRAY: Thank you very much. Can we shift to social media. And if you could give us a sense if you're seeing any differences between your audiences who are using the website and radio and television versus your audiences who are actually
10 consuming your stories on various social media platforms?

AASRA BRAMDEO -SABC: I have to be honest and say I don't think that we in any real sense measure our online audiences directly against radio and television, because first of all we function in different work flows, right. So I don't think we do any sort of direct comparison in terms of actual content. I should say though that when we have for example, content on television that we do share for example, the online views that we get afterwards show us that people do come back to watch. And that often not only do they come back to watch content again and again. So the same users over again, but there are I would
20 say, quite a marked difference when you look new users coming to see a live stream as opposed to old users, but regular users. So we see very marked differences for some events especially we see very, very marked differences. So I think that very often there are a whole range of what could have been television audiences that are now catching it on the online platforms. And primarily because the majority

of those users are accessing the content on their mobile phones. So if you take all those things into consideration then yes I think that the measurement is definitely there that some of them are coming on, especially when you look at the devices that they are using to access.

MS. PAULA FRAY: During your presentation you raised two issues, you raise the issue of shadow banning of content and you also raised the issue of I believe the SABC had to pay to promote content that in itself went against its mandate. Could you expand on that and give us some examples of what you mean by that? Thanks.

10 AASRA BRAMDEO -SABC: When our team started playing around, experimenting with some Instagram content I would say some time in the middle of last year, and it wasn't doing fabulously well but it was growing. And all of a sudden around October, November we saw a huge drop, not just in our Instagram content, but in terms of our Facebook numbers as well and we couldn't figure it out, because we weren't doing anything wrong, nothing different. And in fact I think at that stage we were putting in a little bit more effort than we had been doing previously, so we couldn't figure it out. And when we started considering what content we were sharing at that time and what
20 different online circles were saying about the content sharing, we came across the shadow blocking, shadow banning thing and we sort of initially presumed that some of the content that we were sharing was being shadow banned or blocked, whatever the cases might be. Later on probably towards the end of November, December we had some specific content, specifically some Palestine Israel content

blocked for not meeting community rules and what have you. And when we put the whole experience together over that two or three months we came to the very definite conclusion that our content was definitely in some ways not being shared. So two things there, one that initially we didn't even know. We didn't know we were not aware and if we sort of hadn't done some background checking and chatting and being aware of what other people on the platform were saying about it, we would not really have figured it out. The other thing that we noted was a lot of the online community then started using different
10 tactics to get around it right, so they were using emojis, they were using symbols, which in the case of a news organisation it's not really an option. So that was the second thing about it and we just sort of lay low for a little while before we started up again. We noticed a similar trend on our Facebook numbers at that stage. But once again we don't have any kind of direct sort of comparison to be able to say that it happened on Facebook as well, but it's a presumption that we hold true. So yes, definitely in terms of the shadow banning I think our experience was a very real one. The sharing of sponsored content was something that actually came up in the preparation for our
20 submission. Every month we do an analytics report which we hand to the GE and the GE says but your numbers are down. And why are you not getting the same sort of clicks and likes as your competitors. And then you start looking at the content that is being shared and one of our biggest competitors, I went onto their Facebook page, and clicked on the first story and realised it was sponsored content. And

then clicked on the second story and the third story and eventually something like, on the day that I checked, something like 80% of the content, maybe even more that I checked was actually sponsored content. So presumably they're getting paid to advertise. I would presume then if I was getting paid to advertise, I would pay to boost my content. It would be the clever thing to do. Which as the SABC of course, we're not able to do. And then came the third thing. So I click on a story and that website obviously gets a click right, so if you're an advertiser and you want to buy advertising, you're going to go there because there are a lot more clicks. The fact that I didn't read a single story because I don't subscribe, means that actually no news content or sponsored content was actually shared at all. But this is what I said about the playing fields being uneven. You mark yourself as the most credible, largest online whatever, whatever, whatever, news provider, but what news content is actually being provided? What are platforms doing to ensure that if content is being marketed as credible news content, that that is actually what it is. And I come back to the fact and say we might as the SABC be very low resourced and we might be putting out lessor content or maybe even content of a lessor quality if you want to say that, but the bottom line is that the quality that we put out on any one of our platforms is verified, it meets our editorial policies, it's checked, it's been through all the – generally all the checks and balances. We do all those things. And if you click on it on any of our platforms wherever we share it, you're going to access the content. You're going to see the picture,

you're going to read the quote or hear the quote, whatever the case might be. You're not going to go up against a pay wall. But if you're an advertiser, and you come to me and you say, wow, but they have 60% more followers than you or more likes than you, what does that say then about evening the playing fields and being sort of judged by the same measurements, because it actually is not.

MS. PAULA FRAY: On the shadow banning were you able as the Public Broadcaster with millions of followers, were you able to engage directly with Facebook?

10 AASRA BRAMDEO -SABC: No we did not. We did not. Like I say it kind of took by surprise and at some stage we weren't even aware of it until much later. The human rights watch I think report on the shadow blocking was essentially what kind of put things into perspective for us, so yes. We did not even, to be quite honest, we didn't even upload the strikes, the stories that were blocked, we didn't appeal it all.

CHAIRPERSON: And have you, I mean are you able to speak to someone at a Facebook or Instagram if you do have a problem? Is there someone you have a contact and they sort ...[intervenes]

20 AASRA BRAMDEO -SABC: When I pick up the phone, no. Ja, so our relationship generally is just like any other individual and we have to go through the same channels, so I have to click on report this post or whatever the case might be, in order which to do that. I think we do have a more familiar relationship with YouTube specifically. But once again we have very organic relationships so we do meet them, we can

send through a complaint or whatever. And generally yes, there is follow up, it's the time differences, it's all those kinds of things. It's also being referred from one person to the other which might take a week or two weeks or that. But for now my understanding is that actually we only have real direct contact with people at YouTube as opposed to any of the other platforms.

CHAIRPERSON: And then just on the boosted posts, I mean I'm just battling a little to understand and I mean it's one thing if it's sponsored let's say, but we heard last week there's some news media that say,
10 well this story seems to be doing well. I will give it a boost just to drive more traffic back to me. Is that also something you feel you're unable to do given your mandate?

AASRA BRAMDEO -SABC: No, we won't pay to boost posts. I must say though that many, many years ago, I can't think exactly which year it would have been but it was the year that Barak Obama delivered the Nelson Mandela lecture. And we worked with YouTube at that stage to boost that particular stream. It was a single event, SABC did not pay for the boost we were given sort of value, I can't remember what exactly the negotiation was. And it was the stream
20 that did particularly well. I think right now to date it's about 14 million or something like that. So it did particularly well for us, but that is the only time that I am aware, I've been loosely on and off involved with digital news office for about 12, more than 12 years now, so for quite a long time. And as far as I'm aware that is the only sort of real time or actual event that we worked on boosting a post. We do not do that

as a matter of standard practice at all.

MR. MOSHOESHOE MONARE-SABC: And what it would require from us – sorry if I can interject, is just transparency on the part of these third parties. Like what Aasra is saying, I remember I think a year ago where you could see the quarterly numbers for the page views on our side did not make any sense. You would be 1 million up, the next quarter you were 1 million down and it doesn't make any sense. To us it's just the issue of transparency as we have alluded in our submission, thanks.

10 MS. ANGIE KAPELIANIS-SABC: And it's not just a certain kind of transparency or a transparency at a certain point, it's transparency from A to Z, what are the ground rules? What are you doing, what do you expect, what do you get in return, what are you worth, what is the value? How do you make your profits, are you giving us comms for the profits? It might have been a very different relationship when we started out without a credit card, the game has changed, but we are not – I don't even think we can talk about partners or collaborators or unlevelled playing fields, there is nothing equal about that relationship. I mean I'm not sure Aasra, do we have a final warning
20 from YouTube? Okay, we've got a final warning with someone because we did something. And this was like my first meeting and introduction to them and they pretty hostile. And I'm like if you could just put that amount of energy and effort into taking us as a proper partner or a collaborator that would be great. I was like offended, here they are, we've got a strike, we've got a strike if you do this thing

you're going to – and that was my first experience. So I really think transparency in its broader sense to A to Z what does it mean to play together? What does it mean to collaborate? And one other example that I think we haven't spoken about is that they have used our content and they have used our users to scrape and mine data. We do not get the benefits of that, we do not know what the profile is and what is wrong with them sharing that with us. I'm just using that as one example. So I think we must be quite careful and clear that when we talk about transparency we literally mean from the Alpha to the
10 Omega of that transparency. Thank you.

CHAIRPERSON: And I think, Annie, you want to come in on this?

ANNIE VEERAN-SABC: Yes, just to go along with what was just said, the transparency bit for our social media accounts. the thing is we wouldn't also know if people are basically reporting SABC News posts because the Facebook has rules of posting. So if it's something that doesn't – something that someone doesn't like you can actually block the content. So they'll see if they say that it's a threat or hate speech or graphic violence, they're going to actually report the post and then it will be removed. So we wouldn't be notified that okay, someone has
20 reported it and that also plays quite a big role in the numbers have dropped probably on our Facebook and our Instagram due to those rules and regulations on social media. So that is also kind of where we need to do a partnership with social media and Meta data so that we can advertise that content. But that is how we usually get shadow banned or our content can be removed.

MS. PAULA FRAY: Thank you very much, Annie. We are running out of time really quickly and I wanted to touch on the issue of AI and the particular challenges that you might be having regarding AI and the generation of AI video and content, that might a) impinge on your copyright, but also the dangers in terms of your likenesses being used?

MR. MOSHOESHOE MONARE -SABC: Before I [indistinct 01:54:06] you Aasra, to us it's not even, even though it's still important the issue of IP and copyright, but it's the impact on our credibility. Impact on
10 the trust issue. I will give you an example, we had several generative AI videos depicting our presenters as promoting some Elon Musk product. And specifically they targeted our presenters, our on air talent who are associated with our bulletins and current affairs. Which means out there and that is why I even had to personally come to the studio to address it that there are people who would believe that. Who would believe that oh, this is so and so who anchors this programme and it's promoting this product. So to me it's that kind of impact. Sure, we still also intend looking at how do we approach the issue of AI because not everything is negative when coming to AI, there are some
20 aspects of AI that in future we need to embrace. But it's the question of the ethics of it and also to say how do we approach it in terms of maintaining our credibility and also our ethics. How do we generate the content that is still credible, that is still generated by trained journalists who understand the ethical consideration, the tutorial independence and other factors that is associated with news content.

Thanks.

AASRA BRAMDEO -SABC: Yes, I think the idea of credibility is possibly the most important here. But in this instance with for example, YouTube, I think it's also a case of size must matter, we have a huge following, we have – SABC News has nine different YouTube channels at present. So for me if you can pick up that one of the SABC programmes might have used five seconds or three seconds of somebody else's content, it comes as a huge surprise that you can't pick up a 30 second advert with all our logos and stripes and
10 that kind of thing. So ja, that it is advertising for the platform cannot be overlooked. And that surely then it implies that there are lessor standards for advertisers who are obviously not being checked or regulated – regulated is the wrong word, but the content is obviously not being checked. And the impact is huge, about a week ago I was sitting outside enjoying some sunshine outside the SABC and I got a call from somebody who had no idea who I was, they just searched SABC, Angie was with me, searched and found my name and called me on my cell phone and he said, this is who I am, I am battling to find your account number. And I said I am not understanding, it took
20 a while for me to get to the bottom of it, but here is this man who has R5000 he wants to spend on the Elon Musk project that we are advertising on our platforms. And I mean he's one person who at least took the time out to call, but there are hundreds of others who obviously haven't, who are clicking on these sites and who are finding themselves in a fair bit of trouble. I mean I know our competitors even

have had sort of similar issues to deal with. But it is no small thing and if these platforms cannot take care of credible content providers, news providers, news generators, then that is a problem. And it is not just a problem for news, but it's a problem for our country because surely, surely access to information and the kind of information that is shared is something that needs to be seriously considered.

MS. ANGIE KAPELIANIS-SABC: I know that this is an inquiry that is focusing on the media and news, but often I look at the world through a user and I think there are questions that we need to ask as users or
10 so-called “consumers”. To what extent is there public protection of the big platforms, to what extent do they protect the public? Because that is my basis, and maybe that’s because I’ve always been a public broadcaster, that’s my reference. And linked to that it's not only assisting the media and assisting news and maybe we need as the Public Broadcaster, Public News Service, a kind of preferential treatment, but to what extent do they do public education, public awareness. So here's an example that Aasra mentions to you of someone who saw this ad, wanted to pay, give money, had he not got hold of her they could quite easily have spent R5000. So I don’t know,
20 maybe it's not coming across my Facebook page, my X page, my Google, I'm not seeing, unless it's hidden at the bottom, more than just an about us, kind of the frequently asked questions, what to do in the event of. And that to me is the fundamental basis that underpins news and media. It's the public interaction, engagement, experience of these big searches on social media company platforms.

MS. PAULA FRAY: I have one last question then I'll hand back to Joan. So you've spoken a lot about fair compensation and well I suppose we could debate what fair compensation is, but is your expectation that if you get this fair compensation you will be able to fund your journalism a lot better?

MR. MOSHOESHOE MONARE-SABC: Look, the expectation is that if we do we should be able to sustain ourselves as the Public Broadcaster because to me that is the essence of it to say, with the decline in the media we are facing a situation where there will be
10 lessor outlets and those outlets also will be of a poorer quality. That is why I'm saying that sustainability to me is the most important because we do have that obligation to the South African public, like Filly posed or was it Filly or Angie posed a question to say, what will be the – what will it look like when there is no SABC or for that matter there's no media in general. Especially given the media's role in democracy, the media's role in empowering and informing the citizen train. To me that is my biggest concern to say, beyond that what – and especially if you're look at it to say, sure we've come from a period where we are dominant, sustainable, there's disruption. But
20 disruption at the expense of what, our content. And if that is the case, then fair compensation to be able to sustain ourself to also to continue to be meeting that mandate and obligations. Thanks very much.

CHAIRPERSON: I've just got a couple of last questions. The one was, I mean I'm interested in just almost historical content because often we focus on the immediate now and the events, but certainly

what I find is when I sort of want to research something, because something is reported in the news, often news will come up and that may be also on YouTube as well from a video perspective. Just from your perspective the views you get and what content, I mean is there a fair bit of that historical and it may not be deep history, and it may not be archived, but if I wanted to find out what happened like going back to say the World Cup, there's content that is still there that talks about – because we heard last week, I mean the media is also a record of the country, of life. So are you seeing much in terms of views, I don't know if you can detect it off that sort of content?

AASRA BRAMDEO -SABC: Yes, I think to some extent we tend to ignore the sort of historic views as opposed to what's happening now so we look at the monthly view or quarterly view or whatever. But certainly there's some content that continues to grow. One of our biggest life time videos is the video of anchor Vuyo Mvoko getting robbed while he was live on air. And it was huge when it happened but to date we still see people coming back and viewing it. The Barak Obama lecture for example, still gets views now and from our YouTube life time that is sort of quite historic. We, some years ago did a lovely widget on 25 years of democracy and we've been relooking at some of the archive content that we used there and we still see some views on that. In fact that content if you go onto our website right now, there's no direct link to that content, but on YouTube it's there and it's still getting views. So I think that says a lot about what we're putting out and the fact that people do go back.

When for example there are linked stories, five years down the line something happens and then you go back, and you say, oh well that is what happened there or you link it. Or a person does something and you go back and you look at the historic content, yes, those kinds of patterns come up all the time. And yes we do see that kind of historic content show up very, very often.

MR. MOSHOESHOE MONARE -SABC: In fact just to supplement that answer, is that we do pay, the media in general we do pay International News Agency for international content. And that
10 subscription is hefty, sometimes we are talking about 55 million over the three years or so. However, the same content that you – it's relevant to your question, the same content that you might have used on your platform and paid for, you will be told and then I remember from a personal experience in my other role where you would be told that the same content, if you're going to use it a week later you have to pay for it as archived. So they understand also the importance of the historical content in terms of its value. So it's very important what you're saying.

MS. ANGIE KAPELIANIS-SABC: So not only are we governed by the
20 Broadcasting Act the Electronic Communication Act and everything else, but one of our roles is also governed by the National Archives. Now besides the National Archives in Pretoria and where-ever it may located for fire purposes, we are the repository and the custodian of radio broadcasting in this country that dates back to I don't know, Howard Carter finding Tutankhamen's cave or something. Or

Mahatma Gandhi on the train. So that is an important thing I think to realise as well and how did TV start, where did TV start. 1975 with the trial testing experimenting broadcast. So that is a critical thing and we might have challenges with digitisation and digitising all those formats from reel to reel and I don't know, deep reel, whatever you want to call it. Deep reel, deep archives. But I think that is the other thing about the SABC as the Public Broadcaster, Public News Service, we are the custodians and the repository of archives. And I think so much has happened with going into the digital space, I mean

10 I'm still sitting with different formats from cassette to floppy disc to stiffie disc to you drives and flash drives and it's difficult to kind of digitise that. but I think that's the critical thing when you talk about the public record, if the New York Times is considered as still the public record in the USA, I think that's how we still regard ourselves as the repository, the custodian of the public record.

CHAIRPERSON: I just want to maybe thank now the SABC for coming to these public hearings, sending us our a very high powered delegation and giving the insights through the questions and answers. I certainly think we have a better grasp of exactly your mandate and

20 your archive role I think is also important. But also the public has that and we'll certainly pick up some of these themes with some of the platforms as they come and talk to us as well. So thank you very much.

MR. MOSHOESHOE MONARE-SABC: Many thanks.

CHAIRPERSON: And then we're going to break until 5 o'clock when

we have Microsoft. Thank you.

ADJOURNMENT

CHAIRPERSON: Welcome back to what was going to be the evening session. Microsoft had agreed to come but a last minute dispute with their legal representatives prevented that from happening. We hope to reschedule them and bring them back so that the public can hear from Microsoft in these important issues. I apologise for that but
10 tomorrow morning we will have google in the Dtic office and then as I indicated earlier we have a packed week with a number of radio and other broadcasters, media organisations and representatives and some community media as well. So we will join you again tomorrow at half past nine. We are starting earlier as we have a longer session.

ADJOURNMENT

CHAIRPERSON: Welcome back. I'm glad we resolved the small misunderstanding, but we're very privileged to have the Microsoft
20 Corporation tonight. And sorry, it's probably early morning somewhere in the US, but we have Mr. Jesse Pannoni, the Microsoft Corporation Assistant General Counsel and Mr. Andreas Piras, the Microsoft Corporation Senior Corporate Counsel. Mr. Jesse Pannoni, I hope I pronounced your name correctly, it's not Jesse. Welcome to the Media and Digital Platforms Market Inquiry hearing.

I do want to acknowledge Microsoft making the effort to come and make representations. I know probably within your universe South Africa may be a small part of revenue, but we certainly appreciate the recognition you are giving us. And certainly, in our world, Microsoft is large. So very much welcome. I believe you might make a few opening statements, and then we just had some questions for you.

MR. JESSE PANNONI-MICROSOFT: Sounds good. Andreas, are you OK if I go first?

10 MR. ANDREAS PIRAS-MICROSOFT: Yeah, Jesse.

MR. JESSE PANNONI-MICROSOFT: So first, thank you for including us in your hearing. My name is Jesse Pannoni. You pronounced my name correctly. Thank you for that. I'm an Assistant General Counsel in the Microsoft legal team, and I work on Bing News, Microsoft Start, otherwise known as MSN, our news platform, and Bing EU Copyright Directive Licensing Program. And so, I work on a lot of topics that touch news publishers. And I just want to start out by saying Microsoft recognizes the importance of journalism to the health of democratic societies. And we also appreciate the challenges that the journalism industry is facing right now. And we support government efforts to help journalism and to restore healthy journalism. We've supported the EU Copyright Directive. We've supported the Australian and Canadian online news bills and the Journalism Competition and Preservation Act in the US Congress. We endorse these pieces of legislation with the recognition that Microsoft is or will become subject

20

to them either now or in the future, depending on Bing share and if Bing grows. And we also, in addition to our support of the legislation, we have a program in Microsoft called the Democracy Forward Program, which supports journalism. Their mission is to preserve, protect, and advance the fundamentals of democracy by promoting a healthy information ecosystem, safeguarding open and secure democratic processes, and advocating for corporate civic responsibility. They have launched a number of programs to support journalism, including one program to provide AI tools to journalism
10 organizations. They're particularly focused on smaller newsrooms. They're finding that there are news deserts growing where there are no local newsrooms able to provide local news content and that is one of their focus areas. So, with that, I'll turn it over to Andreas.

MR. ANDREAS PIRAS -MICROSOFT: Thanks so much, Jesse. Thank you so much for having us today. My name is Andreas Piras. I'm a Senior Corporate Counsel here at Microsoft. And me and my team, we support the Microsoft advertising business, which is the online advertising network of Microsoft, including our tech offering. We support engagements locally through leading trade groups, as
20 well as engagement with lawmakers on a variety of topics pertaining to the advertising technology. All in all, myself, we have about over 15 years of experience in this industry. And again, happy to be here. Thank you for having us.

CHAIRPERSON: Well, thank you very much, and I also appreciate, Paula and I appreciate that the two of you are here, because I think

those are the two areas that do interest us. But maybe, Jesse just the first question. I mean, for many corporations, it might be subject to certain laws. Maybe the natural instinct is not to support that process, but you say Microsoft has. I mean, why has Microsoft taken that position, even if it knows it might be subject to that?

MR. JESSE PANNONI-MICROSOFT: I think it starts with our basic promise that we as a company have values. We believe in democracy and the importance of democratic societies. And we think that journalism is fundamental to a healthy democracy, and we see that
10 the journalism industry is declining and in trouble, and we exist in democracies. We're based in the United States, which is a democracy, and we recognize the, we see the need to try to help.

CHAIRPERSON: Yeah, look, I think that is obviously having the foresight and the long game, and as you say, having some, you know, values, but if democracy fails, then I'm sure it's also not a good business environment. So, there should be that long-term view, and I think that's what some of the media were saying last week, just having business understand the importance to their own success and growth as well. I just did want to start with Search and news, because there
20 has been much said around the value of news on search, but I was interested in your submission, and this is non-confidential. It was part of the response that was not marked as confidential. But, and of course, you recognize Microsoft is very small in search, but you are active, and so you have insights, I'm sure, from the Microsoft Corporation. But your submission said Microsoft has, as a general

matter included a news vertical and other news-related features in the search engine, because it helps attract and retain users, it is well known that searching for news and current events is an important use case for search engines. And many users use search engines for this purpose. Indeed, almost all search engines include a news vertical of some type, as it is more or less expected by users at this point. I mean, maybe if you can just share your insights as someone who's maybe not the largest but trying to challenge in this space your insights of why users are looking for news and then, I mean you're
10 obviously careful to protect your confidentiality. But some sense from your own surveys of how many people look to use Search to find news.

MR. JESSE PANNONI-MICROSOFT: Yeah, so, users expect search engines to be a tool to help them find information on the World Wide Web, a key category of information that exists on the World Wide Web and users are interested in accessing is news content. So, from that perspective our users want to be able to search for news when we say the Bing news vertical, that's an internal term we have for searching for news on Bing and seeing news on Bing. We also have
20 a part of Bing that users can click on, saying that the click indicates they want to see the sort of the most relevant up-to-date top news search results. So, it's both the traditional type in a query and receive the news results also clicking on a news link will bring up pre-populated search results. Those are important functions for users to find the sources of news on the web. We don't think that news is sort

of consumed as that word is understood through search engines, through Bing. We think the users and we've designed Bing for this purpose, use search engines to find sources of information about news and then click through to those sources themselves and read the news stories. We appreciate that there's debate, whether that even reading a headline on a search engine is consumption, we designed Bing intentionally to limit the amount of news information that we provide in our search results, obviously It's not the full article. We provide generally just a small thumbnail image and a headline.

10 Sometimes a very small snippet of text. The goal of providing this information is to give users relevant information about where they'd be headed on the internet. Without that limited information they wouldn't know what they're clicking on. So, our goal there is to inform users about where to go to find the information on the web from publishers and not to provide a consumptive experience.

CHAIRPERSON: And I mean the one thing you've highlighted here, which is about attracting and retaining users and there's been some debate about, you know whether news is monetized directly through ads or not. And I think your position and that of others is being, look
20 you don't serve many ads around news content that tends to be around the sort of commercial intent. But I was interested again in your submission where you go a bit further and say, you know news related features help attract and retain users moreover because almost all search engines Google included offer news related features. Users have come to expect that these features be offered

as part of an internet search engine. If Bing did not offer news related features users would likely leave its service. So, how do you see, I mean just because an ad doesn't show, it seems you still see value because it's about retaining or attracting users to your service. And if a user leaves presumably then all their commercial search leaves with them too, where they do get an advert and you do in revenue. Maybe, if you could just unpack that for us Jesse.

MR. JESSE PANNONI-MICROSOFT: Yeah, I mean, I don't have much more to add. I agree with your statement that users expect to
10 find news and if they don't find it in a search engine they'll go elsewhere. And so, satisfying some user's preferences is important to retaining them, given how small we are if users can't find news, they'd switch to a different search engine, and they switch very easily. We don't think all their value necessarily leaves, search engines usage is driven by default so they might come back sometimes and still use, to the extent that we had defaults they might still come back and use
Bing.

CHAIPERSON: And that I'm just interested in the general, I suppose offer of a search engine, as you said people go to a search engine to
20 look for information, if for certain categories you can't get that information does it colour your experience of that search engine, how the consumer might view its abilities to service the needs to find information?

MR. JESSE PANNONI-MICROSOFT: Yes, absolutely I mean, and news is just one of many categories of information that users expect

to find on search engines. And Bing being so small, you know we do struggle with this especially in markets where we are very small. Some of the search engine content is driven by user inputs, so things like local listings. And so, as a very small search engine, these are challenges we face in providing different types of news or different types of content or search results that users expect. So, it's not limited to news, I think users have a number of expectations.

CHAIRPERSON: And to what extent is some of the, I'm going to use the word sort of innovation around showing news, things like having carousels verticals partly just improving that news experience, is that part of the sort of retain or is this just philanthropy?

MR. JESSE PANNONI-MICROSOFT: No, so searches, it's not philanthropy, searches evolved quite a bit since it first started you know, 20 plus years ago as a web page with only blue links you know, URLs and titles. Users expect a lot of different features and functionality in the search engines, so one of those is a news answer. So, if a user types in a search query that we understand in Bing to be looking for news content, we will deliver a news search result page that will include a news answer at the top which will prominently feature the relevant search news results. We also have a homepage for Bing that you mentioned where we show a picture of the day and sometimes there will be news search results at the bottom of that page which we think users find useful and engaging. Those are the same search results that we talked about before. They are just shown at the bottom of the page. We also have the news vertical which you

described. These are not new things or only Microsoft inventions, these are sort of commonplace for search engines.

CHAIRPERSON: And Jesse, I mean a question that seems to come up and we put it in the further statement of issues as well is, what is news? How do you define news? And, because how you define it may affect how you obviously measure either the share of impressions or other metrics. I mean in your submission and again I'm careful just to stick to what's non-confidential. I think you went to saying well, we just looked at how often is the news carousel surface or triggered in
10 response to a query, that may be one way. Obviously that carousel will have its own version of what is news. But does Microsoft have a sort of sense of what is news when asked that question and when we need to ask that question as the inquiry?

MR. JESSE PANNONI-MICROSOFT: Are you asking this about our product features or about how we calculate EU copyright directive license fees?

CHAIRPERSON: No, I wasn't asking about EU copyright directive. It was more a broader sense of how you would define news. I mean triggering the carousel seemed like a sensible, one sensible way of
20 looking at this. But that may depend on how your carousel is determined.

MR. JESSE PANNONI-MICROSOFT: Yes. Bing has information integrity principles that we operate by. One of them is we try to deliver the most authoritative search results and also include the relevance of the user's query. So, these are sort of areas of being content

moderation you might call it, where we look at the search results and apply different signals to determine what are the most authoritative results. This is an attempt to provide users with accurate information and avoid miss and disinformation. At the same time, we don't normally block news results in all cases. Because there are times when users are based on their search query very specifically looking for something on the web. How do we define sort of content news versus non-news? I don't think we have any like secret or complicated way of doing that. You know, news is information about current events, you kind of generally know it when you see it. And we do that with Bing and our relevance processes.

CHAIRPERSON: Yes, I think, you know, just looking at what Bing news says are the criteria to help them evaluate on newsworthiness, it's reporting on timely events, but also topics that are interesting to the people using your service. And its content that does not focus on reporting, such as how to articles or job postings or advice columns that would not be considered newsworthy. So, it sorts of got that more timely, as you say, topics that are interesting in the reporting aspects to that. But I think it is a difficult thing to pin down. I mean, Google has said on its sort of blogs that only 2% of queries are news queries. Your percentage that may raise in the carousel is confidential. But 2%, what is your experience relative to that, to the extent you can answer?

MR. JESSE PANNONI-MICROSOFT: Well, I mean it is not a majority of queries on being in our experience, it's a small number.

CHAIRPERSON: All right, thanks, Mr. Pannoni. I just want to move on to Microsoft Start, if that's OK.

MR. JESSE PANNONI-MICROSOFT: Sure.

CHAIRPERSON: And I think as you said, Microsoft Start was formerly MS News or MSN. And it's described as a sort of personalized news feed service and was launched, I think, in late 2021. I mean, maybe if we can get from you as you worked on this, and its predecessors is how you would describe Microsoft Start as a service?

MR. JESSE PANNONI-MICROSOFT: Sure. So, we've gone through
10 a number of names with it. It started out as MSN, then it became Microsoft News. Now it's Microsoft Start. We still have the MSN website where we display the articles from Microsoft Start and the news articles and videos. I think we call it a news aggregation service. It is a service, like you said, we launched about 10 years ago, where we partner with news publishers around the world. We have a license agreement with them and in basic non-confidential terms are, they give us their news content to host. We put ads next to it and then we share back some of the revenue of the ads with them. This is a sort of opt-in program in the sense that publishers choose voluntarily to
20 join it because they find the overall value in the program worthwhile. We've signed up thousands of publishers around the world, including many of the most prominent publishers. And we've largely kept them on our platform because they've been happy with the overall value of the deal that they get. So, it's a sort of a, we look at the business as a win-win. They get the opportunity to monetize their content with our

user base. And then we get the opportunity to provide engaging news content to our users and build a business on it. We display the full articles and full videos from the partners on MSN. Generally, we also have mobile apps. They get very little usage. And we also promote those articles in our products and services. So that's what you'd call the news feed. So inside of Windows, for example, users can find a news feed and then they click on the articles that are of interest to them. And it opens up the articles on msn.com.

CHAIRPERSON: So, Jesse, if I understand you correctly, it's an opt-
10 in. So, if I haven't opt-in as a media publisher, my content won't appear on Microsoft Start. It's not like a general web crawl and you put up articles. You actually license what you use there.

MR. JESSE PANNONI-MICROSOFT: That's correct.

CHAIRPERSON: I did just want to go back a little bit to why the change to Microsoft Start. Because I think it's useful just trying to understand consumption habits. I think as the panel and also the technical team, you obviously have your personal experience but the aggregated view rather than the anecdote of yourself, I think is useful because it's just to understand that consumption and when people do
20 look at news, and how they look at it. But what did resonate with me, I suppose, is when you did launch it, there was a blog, the Windows Experience blog by Liat Ben-Zur, I think is a corporate vice president within Microsoft. But I think, I suppose some of the things that sort of come through that, you know, just taking an excerpt from that blog, saying it should be simple to catch up on the things we care about,

yet I find it can be overwhelming. I'm inundated with news information and ongoing alerts across online sources, media channels, and devices. And they say in the recent Forrester survey commissioned by Microsoft, we found on average, people spend seven hours a day online using six different feeds on a regular basis. And also check their feeds five times a day. And it sort of continues to discuss that maybe in the morning, I might be checking weather before I start the day, look at some local news, breaking headlines, but I might check in at different points in the day. And I suppose that resonated with me
10 as someone who would maybe read a little more in depth in the morning and see some of the big news. But when I break, say, in between different stakeholders on the hearings, you maybe just want to check, a quick check on what is happening. I mean, maybe if you can assist us in just unpacking how Microsoft understands that consumer behaviour in the consumption of news that may sit on Start or any other aggregator.

MR. JESSE PANNONI-MICROSOFT: Well, I can speak to Start. And, you know, our goals are to provide relevant news and for other publishing content to users through Start that they find interesting and
20 engaging, to provide a convenient way for them to check it during the day. And then sometimes they may choose to spend more time reading. And sometimes, you know, they may just read one article and then get back to whatever else they were doing. We, inside of the article pages, there are additional links to related content in case users want to keep reading or follow up on whatever topic they're

interested in or similar topics. I don't have much more else to say on that. I'm not, frankly, I'm not an expert on all the user behaviours.

CHAIRPERSON: No, thank you. I think that at least gives us some insight. And I realize, yeah, we're not going to have all the expertise for all of our questions. But I suppose it seems to be, you know, if I've got a short break, I might well headline surf just to see what's happening. I might, as you say, read one article, but then I've got to get back to what I'm doing. When I've got more time, I might do something more in depth. I mean, it seems that personalization is also
10 important, judging from, again, this blog and the design of Microsoft Start is, that if I'm going to dip in, I want to see things I know I'm going to be interested in. And so, setting out my, and I think Start can let you set out your preferences. I mean, is personalisation an important way to improve take-up and I suppose just usage?

MR. JESSE PANNONI-MICROSOFT: Yes, certainly. So, Start uses personalization to provide relevant, engaging topics. Personalization is based off of both, what the user chooses as their preferences. If they add that, you can follow topics, you can like or dislike topics and articles in Start, which will affect your personalization. You can also
20 unfollow or follow certain publishers. So, we provide a lot of, sort of user control for that. We also look at user data, you know, what articles they've clicked on as a signal for what information they're interested in. And then we also had a sort of have a third element which is if there's important or breaking news, we'll add that to the content feeds as well.

CHAIRPERSON: I mean, I may be wrong on this, but I was just thinking, we had a comment last week about the addictive nature of the social media scroll of this infinite content coming through. I mean, this is different to search where search you trying to look for some information I think as you said, here is trying to put information in front of you that you think people may like. I mean, is this a bit of a way of, I suppose, search engines looking into product that might compete for that user attention from social media?

MR. JESSE PANNONI-MICROSOFT: I'm not quite sure what you're
10 asking. Are you asking about Microsoft Start's personalization practices?

CHAIRPERSON: No, not about the personalization practice, more about the scroll. This is a product that I suppose has a scroll, it's more personalized. That's a big feature of social media, which takes a large chunk of user attention whether the move by search engines because you're not the only one into this is, is in essence, also looking for some of that attention. But with, I mean, you're not a social media platform, so you don't have that feed, but with the kind of things that a search engine has access to.

20 MR. JESSE PANNONI-MICROSOFT: If something doesn't operate like a social media platform, I don't, I'm not aware of any endless scrolls on Bing. And I think our goals are different, where our goals are to provide the, you know, based on what the users want our goals are to provide the users with relevant information about what their query was and not to keep them engaged in an endless scroll type

scenario.

CHAIRPERSON: All right because, I mean I was also interested that the research that was referred to as the digital distraction research. So is your goal with this sort of more efficient and to avoid extended digital distraction, what was the objective just to provide one place to easily access news?

MR. JESSE PANNONI-MICROSOFT: So, in Bing our primary goal is to provide users the most relevant search results to their query, if we don't provide that to them we expect that they will find other search engines that do that. Generally, people don't want to spend time
10 looking for their search results. What we find is very few click on the second page for example.

CHAIRPERSON: Just on convenience and it was interesting you said your app doesn't do so well, but I mean Microsoft obviously, is big in desktop operating systems and it's sits the, I mean I'm on a Windows operating system it sits here, and I can quickly access. But on a mobile phone you have an app. So, does the convenience affect usage by people?

MR. JESSE PANNONI-MICROSOFT: Yeah, I mean, I think treat
20 defaults Microsoft has said this drive a significant amount of search usage, so Microsoft doesn't have any defaults in Android or iOS. So accordingly, our search share there is very small.

CHAIRPERSON: And something that sort of came out last week for many of the media is how big the traffic they're getting from Google discover. Google discover is the default I suppose on any Android

phone and is easily accessible. Do you think that has something to do with driving those volumes?

MR. JESSE PANNONI-MICROSOFT: Yeah, I do. So, the default service on devices will for search engines get the most usage and that will, search engine usage drives traffic. If that makes sense.

CHAIRPERSON: Yeah, thanks. I don't have any more questions on Start but I did want to move to AdTech if Andreas, you know, I know again you have a small position obviously, Microsoft advertising serves its own search and display ads. And you have recently
10 acquired Xandr as I understand in the sort of terminology it's a DSP demand side platform to display third-party ads. Can I just understand why make an investment in someone to serve third-party ads when you have your own internal already just a bit of context to that acquisition if you don't mind?

MR. ANDREAS PIRAS-MICROSOFT: Yeah, thank you so much for the question. As you mentioned the Microsoft advertising platform is comprised of Search advertising and native advertisement and then most recently the acquisition of Xandr which we finalized in 2022. I would say that Xandr is really an AdTech platform that operates
20 across both sides of the business, both the supply side and the demand side. And Xandr sits a bit in between. I think the main goal is really to bridge the gap between the connecting buyers and sellers in the advertising industry. So, we have an offering for web publishers that is used to sell at space and digital media properties and then the offering on the advertiser side which is how we source the demand

for those publisher spaces. The main reason for the acquisition is really to accelerate Microsoft presence in programmatic advertisement. It really was essential for the company to really expand the offering into the more traditional programmatic digital space branching out from the search and native business.

CHAIRPERSON: I'm interested you said it operates on both sides. It seems the AdTech area is evolving. I mean, we always understood DSP stay on the DSP side. You got ad exchanges, you got supply side platforms as well, and you got ad service. It does seem that that
10 space has become a little more fluid. I mean, what are the changes you're seeing in the AdTech world in terms of those components? Are they increasingly integrated and in different channels?

MR. ANDREAS PIRAS-MICROSOFT: I would say that as far as Microsoft is concerned, the main change that we had in this space is really with the acquisitions under at this point. They are certainly an industry that is very fluid, a certain industry that is evolving. I think you would see how the programmatic advertising in general as, in a way of revolutionized the way that inventory is monetized. I wouldn't say that the two sides conflate. I think the offering like Xandr is their
20 position to gather to both side of the equation, the bias inside itself side. But there's distinct purposes that they each serve on the supply side the publisher is obviously in need of monetizing content. And on the demand side, you have advertisement they want to push their marketing messages. So, I think the distinct purposes they converge into the, maybe the one offering platform which we have with Xandr.

They are really able to see it across both, the cutter to both, to make their process of buyers selling advertising more efficient through programmatic spending.

CHAIRPERSON: And although you've got an integrated, I mean, what we understand in AdTech is that typically any DSP can sell to any, through any exchange to any SSP and many SSPs might be selling the same inventory from a publisher side. You look like you queried that, but this is, you know, we only just starting this week to explore this area. And so, I mean, is that the case, that there's this seamless
10 interoperability across all systems, where you have multiple competitors at each point in the system? Or if that's not the case, maybe if you can just give us some context to how it does work.

MR. ANDREAS PIRAS-MICROSOFT: Yeah, certainly. Just to rephrase your question, I think you're asking about the interoperability and the integration of systems across different providers across the industry. So, I find the studio question correctly. I would say that I will start obviously, I think you hinted early on that, you know, there are obviously restrictions on our platform, which we really comment much on those. As far as we are concerned, obviously, there's more
20 presence in South Africa. I think we don't have a strong opinion on the issue interoperability pertaining to the local market. Not to say it's not an important issue, but certainly larger platform might be best positioned to answer the question at large. I would say that one thing that's been really good for interoperability has been things like the header bidding. What the header bidding really is, is a solution that

then enable the publisher to sell the ad space, the ad inventory to multiple providers simultaneously. So multiple SSP and DSP can actually bid on the inventory. This makes the auction process more seamless as well as more transparent and open. So, I think header bidding itself is really good for the interoperability component. We do offer a header bidding solution. We support display video and other types across that. So, we see certainly, we're certainly in favour and we made good strides toward interoperability within the advertising ecosystem.

10 CHAIRPERSON: And Andreas, I mean, I'm glad you raised that because this is, this gets quite technical and this is where obviously we need to be, we need at least deepen our understanding. And part of the purpose of the public hearings is also to educate the public and the media on what can be sometimes highly technical and impenetrable topics. But I mean, as I understand, there are multiple bidding, but Xandr is header bidding and you've tried to give us a bit of a description there. We then, as I understand, have open bidding on Google. And I've also heard about open real time bidding as an industry standard. So, I mean, I may be confused on some of these,

20 but maybe if you could just give us a sense of the differences across them and why you've gone with header bidding.

MR. ANDREAS PIRAS-MICROSOFT: So, I would say on, within the realm of my technical knowledge, you right, this is an area that gets very technical very quickly. I think that, you know, there's obviously a technical knowledge and understanding that, you know, might not

entirely possess. I would say that at the eye level, just to take it a step back, what you refer as real time bidding really is the form of programmatic advertisements really allow the buyer selling of advertising real time. So, if you go to a website or, you know, an open, a mobile app, their inventory could be sold programmatically through a real time bidding, which is obviously a way to optimize that they are delivery real time. The, as far as the integration within the platform, I'm not in a position to discuss third party solutions, but in terms of what Microsoft and they are offering that we have for Xandr, it's, and
10 the bidding is obviously open source and it's free. And that's one solution that really enables the publisher to monetize dimension more effectively. As far as the integration or other solutions, I cannot comment on it. But I think from my perspective is a more efficient, better way to monetize from a publisher perspective.

CHAIRPERSON: Right. And it seems, it seems you may not want to comment on some of that but let me just at least ask, I mean, we're all aware that there has been litigation in numerous countries against some of the Google AdTech products. I mean, I hear you probably don't want to go there, but I just wanted to know is more what has
20 happened, have things changed in the market subsequent to some of those?

MR. ANDREAS PIRAS-MICROSOFT: Again, I'm not in a position to comment on the third-party solutions and some of those actions. So, I'm going to comment on, you know, our own Microsoft solution. I would say we think that, you know, open bidding could have certain

policy restriction in place, might not make it always practical for integrated platform to participate. But these are, again, from our point of view, I would just probably defer to others on question that pertains to, you know, third party solutions.

CHAIRPERSON: No problem. And this, is header bidding becoming more of a standard? Because it seems you pick your path. I mean, is this getting traction in the AdTech world?

MR. ANDREAS PIRAS-MICROSOFT: Yeah, I believe that, you know, solutions like the header bidding are certainly getting more prevalent
10 in industry. As I mentioned early on, the programmatic advertising in general in the industry has been evolving towards a more programmatic and efficient way of selling and solutions like header bidding that do allow multiple participants to be present and fill those slots. And then more open, transparent bidding process are certainly taking up in the industry. And we see that obviously as a progression, natural progression of the online advertising industry.

CHAIRPERSON: I mean, maybe, I don't know if between you, Jesse and Andreas you're able to talk about the sort of being co-pilot and AI integration. Is that's something you're able to engage on?

20 MR. JESSE PANNONI-MICROSOFT: Sure, I can. Do you have specific questions, or do you just want me to give you kind of an overview of what our product is and our goals?

CHAIRPERSON: Well, I think let's start with the product overview and goals. Again, you know, we're just trying to unpack this. And we in fact had someone from the university, Professor Marivati come and try to

give us the public, you know, what is AI lesson last week. But much like the AdTech, it gets very technical very soon, but I think we just had a few questions just so that we have a good understanding. But please start with the overview.

MR. JESSE PANNONI- MICROSOFT: Sure. So, Microsoft has a number of AI products. I, you know, AI has been around for a long time. But I think what you're referring to is the newer technology that Microsoft and others have started using generative AI, specifically like large language models. So, Bing uses a generative AI in a new
10 version of Bing that we started out calling Bing chat. Now we call it co-pilot in Bing. Microsoft has a number of AI products called co-pilot. Many of them are, or all of them are not really about news or search. So, for example, you can get co-pilot in Word and Outlook. Those are to help you with your productivity. What I'm going to talk about is co-pilot in Bing, which is our AI powered search engine experience. And the most important thing to know is it's still search. It is not meant to provide an alternative to users searching and finding news on the web. It is meant to provide users with a new better experience to find the news that they want on the web. So how it works is typically a user
20 would type in a search query into a search box and get back news answers, news results, like we've talked about. You all know what those look like. Now what happens with the new co-pilot in Bing is there's an AI model that sits there in between the user and the Bing search results and it translates the search results into short, simple, natural language that the user can understand. So instead of seeing

a headline, and a snippet, and maybe a thumbnail, the user will see something that says, this news publisher is reporting maybe XYZ. And then there'll be a link there to go read more and search out on the web. And we're excited about this. We think it's a, you know, a new way to search. We're also realistic that in our experience so far, and it doesn't seem to be changing the overall business dynamics, unfortunately. And it's not going to really significantly make us all of a sudden much more competitive and gain a ton of market share versus others.

10 CHAIRPERSON: Yeah, because I wanted to ask that. I mean, you know, you use the open AI's Chat GPT as that foundational or model, which of course got hugely popular. And it has probably, helped drive some users to Bing, I think you say as much online. But is it more of a seismic shift? Or is it a smaller shift in the market?

MR. JESSE PANNONI- MICROSOFT: We're not seeing a significant shift in market dynamics. It's not significantly growing our share of search. We do see that users enjoy it. And when users use it, they do more searching on regular Bing, which we think is a good thing, both to drive traffic to websites and publishers and, you know, to help us
20 run a better search engine. It's also important to know, chat GPT is not our product. We, you know, we do have a deal with open AI, where we use their GPT models. But chat GPT is a separate product from Bing.

CHAIRPERSON: Yeah, and that's our understanding that you've got the foundational model that may operate as its own chat bot, but AI

gets sort of appended to different services. And then, as, well, this is what I wanted to understand. And you sort of said it sits in between. But, so, the model and how that's developed, that's a separate question. But once it's put inside your search, I mean, that process of inserting in the search between the user and the search results, I don't know if you can help us unpack that. Because in our discussion last week, it seemed you still need the search indexing as an information source or database that is used then by, I suppose, the AI component. And it still needs that element of search, which I'm looking for something to tell me. So, can you just explain how your search index comes to play a role in this providing an answer?

MR. JESSE PANNONI- MICROSOFT: Yeah, I can explain it. And there's also some public blogs that the Bing team has released, they do excellent job of explaining how we built this new version of search. I'd like to share those with you as well. So, we internally call this technology Prometheus. And it's important to understand that LLMs generally take a long time to train and then once they're trained, they don't have new information. So, you can't ask an LLM what's the latest news about you know a sports league, it doesn't, the LLM doesn't know. So, what Bing provides is, you know, an up-to-date search engine that crawls the whole web and does all the relevancy processes that I described. And then provides those search results to the LLM model, the foundational model which then, with a set of instructions that say turn these search results into very short essentially overviews or we call them answers. And then those get

displayed back to the user in more of a chat user engagement model. And then they're displayed as text and they link off both, they include attribution, so links at the bottom of the chat and also the actual answers themselves are links to drive users to the news articles that they want to find. So, it requires the LLM to do a couple things, one, it needs to interpret the users chat question into a search query and then send that to Bing. And then it needs to interpret those Bing search results and turn them back into a chat answer for the user. If you use a co-pilot in Bing, we actually show this, so if you say share
10 the latest news about, you know, whatever news topic, you'll actually see it give you a little notice, it says searching for. And then you can see what you asked it turned into a search result in the actual product itself. Does that help kind of explain how it works?

CHAIRPERSON: Yeah, I think so. I think, I mean a question I just had on the, in the search engine side because I think we were trying to visualize what sits in an index. But as I understand index is there so you can respond rapidly, we can't get a search result in point, you know, one, five, seconds unless the web has been indexed because you're going to crawl an index. So, is it just getting from your index or
20 is being going to then also fetch information from the site itself?

MR. JESSE PANNONI- MICROSOFT: It's from the index and you're right that that's how, that's generally helping, that's how search engines work, they don't crawl the web for each query, they crawl the web generally. It's a lot of information, they bring it together into an index that can be queried and provide relevant answers or relevant

search results very quickly.

CHAIRPERSON: Thanks, because there were a number of questions arising last week about you know, blocking AI crawlers, blocking also search crawlers and other crawlers. We got into quite a long discussion, but it seems blocking the AI crawler is blocking maybe open AI building their foundational mole and training. But it's not going to help in also the of that model in Bing because it's the Bing crawler that's going and doing the work. I mean maybe if you can just help us understand that a little better.

10 MR. JESSE PANNONI- MICROSOFT: Yeah, there are definitely multiple uses. So, Bing meets with publishers, we want to work with them to hear their concerns and address them. One of the concerns we heard was they want controls over how the new Bing and how it uses their data and, despite the search results. And we also heard that they want controls on where the Microsoft trains our own models, our generally AI models with the content. So being realised controls, enables publishers to do both, they can opt out of Microsoft training them and they can also train in with their data. And they can also opt out of paring and co-pilot and Bing if they don't want to be in that
20 experience. We also have a lot of controls for standard Bing as well that we've been using for a long time. Whether AI as controls and helps with how those controls do and how they work, is a question for AI. My general understanding is right now that most major companies are offering their own controls. Microsoft will support and work towards standards controls that will apply with their industry. We are

obviously not in control of that, we can't force that, but we're supportive of that, we think it's good for publishers. And we'd want to work towards that.

CHAIRPERSON: And is that likely? Because it seems you almost, I think as people put it last week, you've got to actively stop the call, it's not as though the caller comes and asks permission otherwise, so it takes a sort of effort from the publisher side just to know who's out there crawling, how to block it and what the protocols are. So, do you think an industry standard is likely to emerge?

10 MR. JESSE PANNONI- MICROSOFT: I can't, I don't know, I can tell you that industry standards emerged for standard search um-

CHAIRPERSON: It's the robot exclusion if I understand.

MR. JESSE PANNONI- MICROSOFT: Yeah, there's others as well, so there's some tags that allow publishers to be more granular and the size of their thumbnails and that are there in search results and the size of their snippets, things like that. We, those particular ones I believe are just Google announced tags, but Bing just follows them as well.

20 CHAIRPERSON: And just so I understand when you say, I mean you've got these different controls from the publishers, so the one is the training, can I opt out of co-pilot but remain in search? Or is that a package together?

MR. JESSE PANNONI- MICROSOFT: I believe so, I'd have to go back and check because it's a little bit technical, it's definitely um, in our blog, so whether that's allowed or not, whether that our control uh,

covers that or not. But I believe so.

CHAIRPERSON: All right, we'll, yeah, we'd appreciate it if, you cannot not obviously now but, you know, I think just to let us know so that we understand. I just did want to also unpack the user interaction because that's been another concern from the publishers, you know, and I think the concern is whether this will decrease traffic or increase traffic? And you said earlier that there'd been an increase in traffic.

But I just did want to unpack that because we've got Bing increasing, even though it's not seismic change in the industry, it's still Bing
10 growing, which generates more traffic in itself. I suppose the question more crisply is click-through rates and how those have evolved on the co-pilot as opposed to search. And I don't know if you've done any research at Microsoft to see whether that research is also specific to different areas, but maybe you can just indicate what you understand to be happening with click-through rates.

MR. JESSE PANNONI- MICROSOFT: I'm sorry I don't the click-through rates on our different search offerings.

CHAIRPERSON: Is this something that Microsoft's researching, just to see how co-pilot may be affecting click-through rates?

20 MR. JESSE PANNONI- MICROSOFT: I believe so, but I'm not sure, the specifics of it. I can say, like what I said before, I can reiterate that we intentionally have built co-pilot in Bing to provide very short news answers, to encourage click-through rates. It is our goal to encourage click-through rates, but I don't know the details of the data.

CHAIRPERSON: Again, if that is something you can find for us,

because I think there's certainly strong interest, and some of the discussion last week was also whether that may differ depending on the type of query. And so, I think it would be helpful to know for news as opposed to something else like exploring options to book my holiday where ultimately, I may want to click-through because I need to book or pay for things. So, I think we'd appreciate that if you can look for that, Jesse.

MR. JESSE PANNONI- MICROSOFT: OK, we will.

CHAIRPERSON: I understand there's sort of classic search, I
10 suppose, click-through rates do depend on your ranking. So, the click-through rate at the top is generally much higher than the next item in the list and so on. I suppose this is a slightly different with the co-pilot because you get the sources at the bottom, and it may depend on the number of sources. But how does Bing determine which sources to reflect, given it may look at a number of sites, but it's got to choose which ones it's going to source? So how does that happen?

MR. JESSE PANNONI- MICROSOFT: The benefit of copilot in Bing
is that it leverages all the work we've done in relevance, which is
looking at the user's intent, which sometimes is quite complex, to
20 determine what they're looking for exactly on the web and just plan the most relevant search results all. So, it leverages all of Bing's work in authority to provide the most authoritative sources of information. Based on signals, we partner, we use our own signals, and we partner with third parties, so what copilot in Bing displays is the same links you'd get at the top of a Bing Search page. The experience is slightly

different, and the user would have to type in, show me more answers rather than click or scroll, but it's basically the same.

CHAIRPERSON: And do users click on show me more? Or is that something that you'd would have to go and find out for us?

MR. JESSE PANNONI- MICROSOFT: There's not really a show me more button, it would be more of, again this is a chat experience with the AI, to use this would have to use you'd have to type show me more.

CHAIRPERSON: And then that would what? Fetch more content
10 based on relevancy and authority?

MR. JESSE PANNONI- MICROSOFT: It should yes.

CHAIRPERSON: Because I think, you know, just looking at what some of the discussion even on online and your blogs and the like, you know, there is a drop off and click throughs on the normal Search list. But of course, if you're not in the sources, you're not, you're also not in, they say visible. So, depending on the tendency for people to click through at least you have to be in the source list if you're going to get the click through in the first place otherwise, you're not on a scrollable list like you have in search. So, ranking may become far
20 more important in a co-pilot or chat type environment. Is that a fair comment or what's your view?

MR. JESSE PANNONI- MICROSOFT: Well ranking is important in standard search. I would expect it to be important in the new AI version of Search as well. Long term I would only be speculating it, how this is going to involve, it still early days.

CHAIRPERSON: I think that is the challenge for everyone is we don't know how users are going to change their behaviour, and how they might use these tools. And that creates I think a fair bit of uncertainty for users. So, I just want to pick up on a few um, I mean, it seems how much they click through is also something you can't tell us now but you'll get back to us to see if Microsoft has any research on that.

MR. JESSE PANNONI- MICROSOFT: Yeah, I'll discuss with Council, and we'll let you know.

CHAIRPERSON: All right, and just so I also understand, I mean, you
10 mentioned in Start that there's a revenue share but one of your, sort of, I think blogs had indicated and it may be about a year ago when it was still called Bing chat. But that you were looking at potential revenue share options for start Partners that shared their content to assist Bing chat. And so, I know it's now evolved into being called co-pilot but what happened to that? At that stage I think the announcement was just you're exploring. So how is that developed if at all maybe you can just update us?

MR. JESSE PANNONI- MICROSOFT: Yeah, I think it's, I can describe
20 to you what we did. So, it's important to understand Microsoft Start is a licensed news platform and Bing chat or co-pilot and in Bing is a search engine which crawls the web um and displays search results to users. Those are generally not licensed. So, even though these are two separate, completely separate businesses with different principles and license terms, you know, our products don't completely exist separately. And there is a, what we tried to do is take some

licensed content from Microsoft Start, put it in a Microsoft Start module that sits next to the chat, essentially next to the chat box in the experience. And then, you know, the Microsoft Start usage is licensed and that's something that I've already described, we pay for. And that's what this program was. It was not paying publishers or appearing in co-pilot in Bing.

CHAIRPERSON: I mean maybe just help me, I'm, just so I understand I mean, so you say it's not paying them to appear in co-pilot in Bing but from what I got from the sort of blog is that they might have
10 revenue share if they share their content. So that's the content that you have licensed, is that correct?

MR. JESSE PANNONI- MICROSOFT: We're not putting it there itself, this again is, it's little bit technical but these are two separate services, they can exist, and the user can see both of them at the same time. What we did was we took a piece of the Microsoft Start service, we put it in the Bing chat general area, it's still in Microsoft Start even though it appears there, it's not-

CHAIRPERSON: Be relevant to the, what the chat is happening or they just having it alongside?

20 MR. JESSE PANNONI- MICROSOFT: Yeah, it's relevant to the chat. So, if the user searches for, you know, a specific news topic and there are Microsoft Start, there's Microsoft Start news content on that topic, the Microsoft Start experience appears in chat. And then if users click on that they're in the Microsoft's Start, they go to MSN.

CHAIRPERSON: All right so, it's almost trying to align so it can speak

to each other and if there's any Microsoft Start content that is, a relevant to the chat I'm engaged in that'll be triggered much like say, triggering your news carousel and it appears next to it and that is another option. But you-

MR. JESSE PANNONI-MICROSOFT: Yeah, that's right, it's just another option for users to engage with news content, you know, we heard from publishers that they want an opportunity to control and participate in co-pilot and chat and this was something we were trying out.

10 CHAIRPERSON: And so, it, I mean it has happened, has it been relatively successful or too early to say?

MR. JESSE PANNONI- MICROSOFT: I think it's been successful in that we continue to experiment and try new things to support publishers, and this is one thing we tried, I don't think it's hugely significant frankly.

CHAIRPERSON: All right, you mentioned the sort of authoritative and relevancy, we have heard a lot this last week about the concern over mis and disinformation that is available. I mean I think to be fair I think a lot of that was focused on social media more than search. But we
20 did ask whether there's a search element as well and some of the publishers said yes, I mean it's not to the same extent. But, you know, in looking for authoritative and avoiding missing disinformation because certainly even within co-pilot you don't want to be putting up a wrong answer that has led to some embarrassment for some AI models in the past but what are your Microsoft controls around miss

and disinformation in order to stop that flow?

MR. JESSE PANNONI- MICROSOFT: Like, I could speak to some of this generally, but this is also not, I don't support generally Bing, so this is not my area of expertise. So, I can tell you that this is a very important issue for us, and we invested in it greatly and you know Bing has been operating as a search engine and has made great progress in its work on these issues. And because of the way that we've set up co-pilot in Bing where the answers you get back are based on Bing search results, it leverages all of that good work that we have
10 done in Bing, specifically for co-pilot and the use of AI. Microsoft has responsible AI policies and our AI features go through a responsible AI review. We do red team testing and we, I know this is new technology, it's not always going to be perfect, but we iterate very quickly and fix any issues we discover.

CHAIRPERSON: And one concern that was raised was also in a sense, I mean, it has an AI angle but AI tools being used to mimic and use organization take its content, rewrite it so to speak and use that to drive ad revenue. I mean where Microsoft becomes aware of that? Are those sorts of sights likely to surface to your search results and
20 direct consumers to those sites or how do you control that sort of new I mean this is new but that new type of what they call ad fraud?

MR. JESSE PANNONI- MICROSOFT: Yeah, I mean, I think that for Bing's purposes part of being authoritative is doing original recording. So, sites that are, you know, just copying whether they're using low-cost vendors or people to create news articles or whether they're

using AI or a combination of to create news articles that are no original reporting. You know, Bing's efforts are to prioritize the authoritative original reporting news publishers. On the Microsoft Start side we do have content standards for the publishers that we let on and we are working to address, I don't have anything to announce right now but we are working to address these issues as well.

CHAIRPERSON: So just from a search engine side I just had the question, I mean, if you identify site as more of a clickbait or other than that I mean, do you still index it, or you just put it way down on
10 quality in other measures?

MR. JESSE PANNONI- MICROSOFT: So, search engines that are at its core like I said are to help users find the information that they're looking for, so we generally would focus our news answers or news search results on the most authoritative without necessarily excluding sites or blocking them. Because there are a lot of scenarios where we can tell from the user's query that they are specifically looking for that. Like an obvious example, if you're looking for sites that are spreading this information a search engine is a key tool in doing that. Andreas might have something to add here.

20 MR. ANDREAS PIRAS- MICROSOFT: Yeah, thank you. Now I want to go back just a minute on two important topics that you raised on this information is information as well as the issue of click baits. I'd like to say they've been involved in several efforts pertaining to fighting this information also across the advertising ecosystem. So, we've been participating in a voluntary code of practices for a number

of years, and we've instrumented a number of checks and balances in place to prevent this type of harmful content on our services. On the outside we have a stronger robust editorial process in place and additional policies that we implement, those are rules of conduct for our customers that we enforce through both manual and automated means. And so even though It's been obviously a difficult issue to tackle, particularly in the realm of political speech or other high-priority event or high-risk events like the Covid crisis, for example. I would say that on the advertising side, and this is also true for other services

10 like Bing search engine, we have a good grasp and certain instrumented checks to prevent the serving of disinformation and misinformation. On the clickbait piece we are certainly aware of the issue they would present, but I would say that that's unfortunate for us and our services may be exploited by bad actors that are really trying to circumvent and checks in an attempt to really, so the clickbait model really does drive lower users into interacting with advertising content onto third-party sites. That's something that obviously we don't permit, and we don't allow. We consider that to be a breach of our agreement and we take several actions as a result of these

20 behaviours. Those bad actors tend to be some more sophisticated than others. So, admittedly, it's an area where we constantly strive to improve and to preserve the positive experience. We don't look at positive experience solely in the context of the end-users, but also overall, legitimate advertisers and the publishers alike. So, that's just our position on clickbait and certainly an issue that we face just like

everybody else within the industry, I suppose.

CHAIRPERSON: And I think the concern is with AI that this is going to get considerably worse. And maybe that is also trying to look into the future, but I think many in the media are concerned that the proliferation of content that's so easy with AI tools that that may make the problem worse. I mean, I hear you that you're constantly trying to keep up and some are more sophisticated. I mean, are you confident in an AI era that you can win that battle?

MR. ANDREAS PIRAS- MICROSOFT: Well, I will say this, AI certainly
10 is a new technology and the bad actors, those nefarious actors tend to exploit any new technology to their advantage. So, the work that we are doing, obviously, as Microsoft, we put a lot of emphasis on responsible AI standards. We put a lot of emphasis in security measures to prevent such behaviours. So certainly, I'm confident in our ability also as an industry to put up with the challenges, if you will. I have to say that I've been working in this industry for so many years, the bad actors adjust to the checks and that's where, you know, obviously there's going to be some work that has to be done in this respect. But, you know, I don't want to speculate on how nefarious
20 players might misuse illegitimate technologies for illegitimate purposes. That's obviously still, I think, early days. I won't speculate further, but I reiterate the fact that we put a lot of emphasis and dedicate a lot of resources in preventing and addressing such negative experiences across our services in the industry in general.

CHAIRPERSON: I just had a few last questions, just stemming out of

some of the discussions we've had. And Andreas, as you've been answering questions now, let me start with this issue of third-party cookies, we heard from a few media agencies today about how they're trying to plan for this eventuality and what impact they see it may have. I mean, does Microsoft have a view on that? You're only just getting into the AdTech side, I realize that. But I'm sure you've thought about this and what's your perspective on how this may play out?

MR. ANDREAS PIRAS- MICROSOFT: Yeah, no, as you mentioned, it's a new topic. It's a topic that we're following closely here. I will say
10 that as Microsoft, we understand that, how the industry might be evolving in the future, and then we are planning and preparing for what would be a different advertising, digital advertising ecosystem. It's obviously not the first time that the industry makes changes, and then we will need to. So, I would say that is something fairly new that is coming up within the industry. I think we have obviously other industry participants that also working on South solutions and will defer to them for the comment. But as I mentioned, it's still early days for the deprecation of their party cookies, but I'm sure it's an area that will evolve, you know, soon.

20 CHAIRPERSON: I suppose the question from earlier was really whether this will mean that those bigger, I think the person was using walled gardens that have a lot more data might be set to gain even more in this environment relative to the smaller players who with a website, who may have some information on their visitors but now loses the information of some of the interests of the visitor. Because

we can't track where they've come from. I mean, is that something you've thought about, about how that dynamic may play out?

MR. ANDREAS PIRAS- MICROSOFT: I'm sorry, I want to rephrase the question, I'm not quite sure the questions, are we still discussing the issue you just raised earlier-

CHAIRPERSON: Third- party cookies, yeah.

MR. ANDREAS PIRAS- MICROSOFT: Third- party cookies-

CHAIRPERSON: So, take some information away from, let's say, the single website because you don't have that following. So, people
10 would have been on your site because you know, I, before I went to your site, I looked at searching for I think we use the example of hiking boots and now I've come to your new site and the third-party cookie says I've got someone here who's interested in hiking boots. And so that information may be lost to those individual websites. But the big content drivers, like some of the social media or Search that have a lot of user information might be advantaged in this new world. I don't know if Microsoft had a view on that or whether both will be equally disadvantaged or?

MR. ANDREAS PIRAS- MICROSOFT: As I mentioned it is still early
20 days in development process. I don't know if we have data in, and that, you know could be indicative of these changes within the industry. I'm not entirely sure it's about the first party data as much it's about data sharing across services. And these are new technologies that would still support monetization model. As far as your question, I wouldn't want to speculate on you know, a very new

technology and the future with the precautions across the industry.

CHAIRPERSON: Thank you, Andreas. Maybe this is the last two area, is, what we're seeing at least in South Africa is that community media says they battle on Search to get visibility and they seem to have a little more success on social media. But on something like even a Microsoft Start, which might want to give me local weather, and some, let's say geo specific information, I mean, is there a push to bring some of the more community-based content on to that service? Or is it more sort of broader national headlines stuff that might be in the presence of mainstream media?

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MR. JESSE PANNONI- MICROSOFT: We have actually launched and we're continuing to launch, I guess, an onboarding pathway for smaller community publishers and smaller creators even to join Microsoft Start. So, the previous sort of typical way that publishers would join is we would literally just call them or community and ask them to join and tell them about the benefits of being part of the service. And that's how we initially launched this business with a big push worldwide to sign up publishers that were, those were large. We have limited resources, those were, generally speaking larger publishers. Since then, we have realized that that there's this opportunity for smaller local newsrooms, local community publications and even smaller creators to get onto the platform. And what we're launching is a website, it's a portal, where even really small publishers, even a blogger could apply to join. They still have to meet our content standards, and they get the same deal. And they, their

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content can be published and then it'll be surfaced in, through our personalization, it'll be surfaced to users in the relevant places and markets. The smaller publishers can also choose to limit where they're published, right? If they only want to be for example, in certain countries, they can choose that as well.

CHAIRPERSON: And you can be rolling that out in South Africa too?

MR. JESSE PANNONI- MICROSOFT: I don't know when, but you know, we're slowly working our way through the countries. We just launched the number of countries this past winter, sorry, late fall. I
10 don't know exactly when the plan is to include South Africa.

CHAIRPERSON: And Jesse, I mean, you mentioned obviously some criteria for also being accepted. I mean, the situation in South Africa is that you will, you're even independent and community are part of a press code, certain standards, is your criteria around that sort of standard or is there other criteria that would be-

MR. JESSE PANNONI- MICROSOFT: Yeah, it would. I'm not familiar with your standards, but I assume there are things like journalistic ethics, you know, reporting accurate information, not publishing missing disinformation, whether it be sort of obvious top-level
20 requirements, and yeah, we would, we definitely have those, I think it's important to understand Microsoft Start is not a search engine product. Users don't search for Microsoft Start content. They're presented with it. And we want to run it responsibly and only include quality news content on it.

CHAIRPERSON: Yeah, because as a community news you know,

wouldn't have thresholds like how many millions of views or the like, it's a community by its very nature, so the emphasis is not on volume but more on quality.

MR. JESSE PANNONI- MICROSOFT: Yeah, the standards are, you know about the quality, not the volume of the content. So, we don't have like, you need to have this many users or this much circulation. I mean, if you put very limited community sort of content is limited to a very narrow audience, our personalization probably won't display it to users who aren't interested in it, right? Like if it's information that's
10 very specific to one small country, we're not going to share it with users in a different country who speak a different language, for example. And because that wouldn't be a good user experience. That's not what they're looking for from a news aggregator platform.

CHAIRPERSON: Yeah, and it may be that, you know, the community newspaper in a town that may be the main interest, but your personalization and your sort of localization would still pick them up for the news feed. I mean, based on now that you are rolling it out, are people where it has been rolled out seeing increasing community news?

20 MR. JESSE PANNONI- MICROSOFT: I don't have specific numbers, but we are definitely signing up a lot of smaller publishers. And I can tell you the numbers we have generally, hold on. Yeah, it's in 1000s. So, 1000s of new smaller publishers. I don't know if they, you know, the traffic that they're getting generally. I will say one of the challenges again, that we face is Microsoft started somewhat similar to Search

and the defaults matter. Most of our users are there because of Microsoft Start being the default. And that means that we are constrained by the number of defaults we have. And that also constrains the amount of traffic we can drive generally to all of the public, all of the Microsoft Start partners and other aspects of the business. Similar to the search.

CHAIRPERSON: Yes, and obviously your market size may impact whether you decide to roll out or not. Can I just ask the other thing you just raised about their language? Because I think what we have
10 heard last week is that certainly for publishers in vernacular languages in South Africa, that is an English, they battle on Search to get presents, they find it's a battle for Search to sensibly, I suppose interpret and feed relevant information to them in their own language. I mean, is searching for different languages a challenge for search engines, and if so, what are those challenges?

MR. JESSE PANNONI- MICROSOFT: So, I could say is, we're a very small search engine, and as such, we have much more limited scope and breadth to our resources to build features to support a lot of smaller markets that say that if you were a larger search engine, you
20 could build. So, from that perspective, yeah, we do find that generally in Search being so small, we do find that supporting smaller markets and smaller audiences is an additional challenge we do have. I have not heard specifically any details about users in languages like you mentioned, but that would be generally consistent with some of the things we've learned from running thing.

CHAIRPERSON: So, just from what I get from that, I mean, if you're very small in a particular area where language is used, it's hard for you to make a business case, to invest in that. And if you haven't invested in that, I suppose you're not going to easily understand which content is relevant when you crawl an index. And so that does make search results going to be less accurate or just difficult to do entirely. Is that fair enough?

MR. JESSE PANNONI- MICROSOFT: Yeah, although I would say that it's not driven necessarily just by business decisions. These are
10 somewhat sometimes often technical limitations. So, I think a good example that I can elaborate on that I brought up before, which is local data, right? So, let's say you're in a very small country, and you want to find a restaurant, if you search in our search engine, those restaurants probably haven't registered with us, because they don't get any, really any significant traffic from Bing. And you as a user, you just won't find the same quality and breadth of restaurant search results or local business search results. We call that local. It's a big challenge for running a small inch, search engine. And you know, some of these are technical limitations, like, it's like a chicken in the
20 egg. Like we can't get more users until we have, unless we, it helps, not having local hurts our ability to get users there's, other reasons why we get less users. But then we can't get better local until we have more users.

CHAIRPERSON: Just so I understand the technicalities, I mean, if you're going to index and rank on quality and relevancy, you need to

understand the language on their page in order to do it when you crawl through, I would assume.

MR. JESSE PANNONI- MICROSOFT: Yeah, what I'm talking about is not all search results are crawled some of them are things that, you know, you maybe need have to have user's input. So local is a good example like a lot of the local listings are driven by the actual business, signing up, putting in their correct information and it can easily be gleaned, or put together just from crawling the web.

CHAIRPERSON: No, I definitely, I appreciate that. So, you, I mean, I
10 think we heard that, you know, in crawling the web, even then if I put up a website, I've got to somehow say, hey, I'm here, come and crawl me. So, there's that. Suppose what you're saying is almost registration with a service saying, here are the details you need to display my local restaurant in your local search.

MR. JESSE PANNONI- MICROSOFT: Yeah. Here's our phone number. Here's how we take reservations. Here's our menu. Here's pictures of food on our, in our restaurant. And typically, they're not really interested in doing that on very small search engines. That's just one example of a vertical you know, just generally understanding
20 data in order to operate a search engine. When you don't have a lot of usage, it becomes a lot harder to figure out relevancy. And to provide, you know, search, if we don't have a lot of users searching in a specific language, it's harder to understand when the user wants to see that particular language and what are the best search results to deliver to them. These are all just challenges of our really small

scale.

CHAIRPERSON: But just on a technical perspective on language, you'd have to be able to understand the language in order to index and rank and grade or not?

MR. JESSE PANNONI- MICROSOFT: I think so, I'm not an expert in that area. But it, that makes sense.

CHAIRPERSON: And they start better with language in the sense of you could sign up, let's say you're doing the local thing, you could sign up publications it might be in the language other than English, and
10 they may have relevance from their location to users in that area. Was that equally difficult, to do language as search?

MR. JESSE PANNONI- MICROSOFT: I think Start is a little bit more, it's easier, maybe in some ways and a little bit more limited in other ways. So, you know, start at something that we have to build for, like, we build a version of it for South Africa, right? And that requires resources. And to build a version out for South Africa, we would need to make a decision, whether there's enough resources or there's enough users in that market to justify all of the engineering and other effort to build two versions of it, for each language. We do have some
20 markets, where we do have two versions, but it's different from search. Like I'll just give you an example, there's two versions of the US Start right? There's an English language US Start and there's a Spanish language US Start.

CHAIRPERSON: All right, and then I would set my preference on language if I'm in the US and then it would work on that?

MR. JESSE PANNONI- MICROSOFT: Yeah, and we don't have like a French version of news and in the US, for example. You could set it to France, generally we find that's, again, given limited limitations and resources generally we find that, that's works for the most of our users. We are, we will expand if we can justify the extra business costs and expenses of running into a market?

CHAIRPERSON: All right, but they may, just around that up and to wrap up I mean, you'll have a French start with trying to get French content for US interests might be more of a challenge is that-

10 MR. JESSE PANNONI- MICROSOFT: There's just not a market for it. There's not user demand. So started, starts a business that we based on user demand, it's different from search. Search is we're trying to provide a search engine. It's useful for all users. But start is, we're trying to provide a product, a specific news feed news aggregator service, and you know, we can't, we don't have the resources and it probably doesn't make sense to provide a tailored version of it for every single market. That wouldn't make sense financially or, and we don't have the product resources to support it. We support a lot of

20 support, we might give you the news from very close country, or we have worldwide versions in Spanish, French and English, I believe. Does that answer your question?

CHAIRPERSON: Yeah, no, I think that does. I mean look, as you say, you are small. You obviously aspire to be bigger and investing in the product, but there may be limits that you face till you get that larger

presence. It is that wretched chicken and egg situation, as you say with two sided platforms. But Jesse and Andreas, I did want to thank you both for making the time, I know you have a hard cut off in a few minutes. So, I think let's wrap up the discussion and I think Sydney has helped us learn a fair not just about Microsoft but also just some of the back end of what is now changing quite fast. And I certainly think the public and the media that no doubt have tuned in, we'll also have learned about a little more about what some of those black boxes are and what happens inside them and how those decisions
10 are made. So, we do appreciate Microsoft's ongoing support for the inquiry, the submissions you've made. I think an inquiry like this is evidence based and needs to at least gather information if it's going to make sense of the issues that we need to make findings on. And going forward, you know, we will, I think still continue to ask where relevant, where we do need some information. And we appreciate that ongoing commitment. Thank you. And I suppose you're just getting started with your day wherever you are. But we're going into the evening, but we appreciate your time. Thank you very much.

MR. JESSE PANNONI- MICROSOFT: Thank you for giving us the
20 opportunity to speak here and we definitely support your efforts.

MR. ANDREAS PIRAS- MICROSOFT: Thank you so much. We appreciate it.

CHAIRPERSON: Thank you. And that wraps up day six of the Media and Digital Platforms Market Inquiry. Tomorrow morning, we do start slightly earlier at 9:30, just to accommodate the Google Search people

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who have flown into South Africa to participate, and that session will run for about four hours.

END OF PROCEEDINGS ON 11 MARCH 2024

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