



# **OTT indicators in the AGCOM data gathering experience**

**BEREC Virtual workshop on a harmonized data collection regarding OTT services**

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**AGCOM**  
a “Convergent  
Regulator”

## DATA GATHERING INVOLVES DIFFERENT TYPES OF DIGITAL PLATFORMS

### ■ General regulatory competences

- ✓ ECS
- ✓ Media services
- ✓ Postal services

### ■ Additional regulatory competences

- ✓ **Online advertising platforms and online publishing:** monitoring the compliance with media pluralism legislation
- ✓ **Video sharing and video streaming platforms:** monitoring compliance with the new SMAV Directive and media pluralism legislation
- ✓ **Online intermediaries:** enforcement of the Regulation (EU) 2019/1150, P2B
- ✓ **Web audience and analytics services:** monitoring of online audience measurement systems
- ✓ **Secondary ticketing:** supervision and enforcement on online intermediaries
- ✓ **Online copyright regulation enforcement**
- ✓ **Search engine, social network operating as «gatekeepers» in the online information system:** promoting the self-and co-regulation aimed at contrasting the phenomenon of online disinformation



**AGCOM's data  
gathering  
systems on  
digital  
platforms**



**IES (Economic Information System)**

**ROC (Register of Communication Operators)**

**Communication market monitoring system**



**Report on online platforms**

**Agcom annual report**

**Market analysis, Investigations, industry  
survey (*ad hoc analysis* like the MA on online  
advertising market)**

# IES - Economic Information System

*Online  
publishing*

*Online audio-  
visual content  
services*

*Online  
advertising*

- **Mandatory for all the media operators within the scope of the IES regulation - tv, radio, publishing, internet - that operate in Italy and earned revenue in the last financial year**
  
- **Information collected**
  - ✓ Company information (business name, fiscal code, n° of employees, n° of journalists; parent company information; n of ROC registration)
  - ✓ Volumes metrics
  - ✓ Values metrics (revenue and costs)
  
- **Once a year**
  - ✓ Volumes at **31 of december** of last financial year
  - ✓ Values must be consistent with those indicated in the **last financial statement**

# IES - *Online publishing*



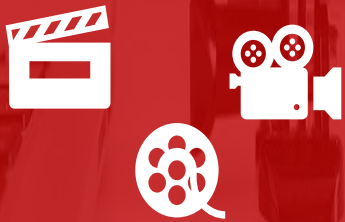
## Metrics collected

- **Revenue from the subscription sale of online publications (newspapers or magazines) available and usable only online (no printed edition) provided by both via fixed and mobile devices in the last financial year**
- **Information on online publishing product**
  - ✓ name
  - ✓ web address
  - ✓ n° of registration at ROC or national Court
  - ✓ **frequency of publication**
  - ✓ **n° of subscription days in the last year in case of payment**

### **Value and volume metrics are relevant to:**

- ✓ understand the business model
- ✓ assess market shares of major providers
- ✓ compare with printed publishing

# IES – *Online audio-visual content services*



## Metrics collected

- **Revenue from paid offers** splitted in:
  - ✓ Revenue from Subscription Video on Demand services (**S-VoD**) of the last financial year
  - ✓ Revenues from the purchase or rental of a content (**EST**-electronic sell-through or **T-VoD** - transational video on demand) of the last financial year
- **Number of registered users in Italy** at 31 of december splitted in:
  - ✓ **Active Users** (number of registered users who subscribed a contract or purchased/rented at least one content during the last financial year) splitted in:
    - ✓ n° of AU who signed a subscription contract (postpaid or prepaid) during the last financial year
    - ✓ n° of AU who purchased or rented at least one content during the last financial year
  - ✓ **Non-Active users** (number of registered users who did not display any content during the year)



# *IES - Online advertising*



## Obligated subjects



**Publishers** who sell - directly and through a intermediaries - online advertising space on their property



**Intermediaries** (including Ad Network, Affiliation Network, Inventory Media Trader) who sell online advertising space for third parties



**Ad technology platform providers** (SSP, Ad Server, DSP, Ad Exchange, DMP). Service providers on digital platforms for the purchase and sale of online advertising space



**Certifiers** (ad validation/ad verification, audience analytics activities)



**Data Providers** who sale users' data

# *IES - Online advertising*



## **Metrics collected**



- **Online advertising revenue** of the last fiscal year
- **Online activities total costs** of the last fiscal year
- **Company information:**
  - ✓ business name,
  - ✓ fiscal code,
  - ✓ parent company information;
  - ✓ n° ROC
  - ✓ **n° of employees**
  - ✓ **n° of journalists**

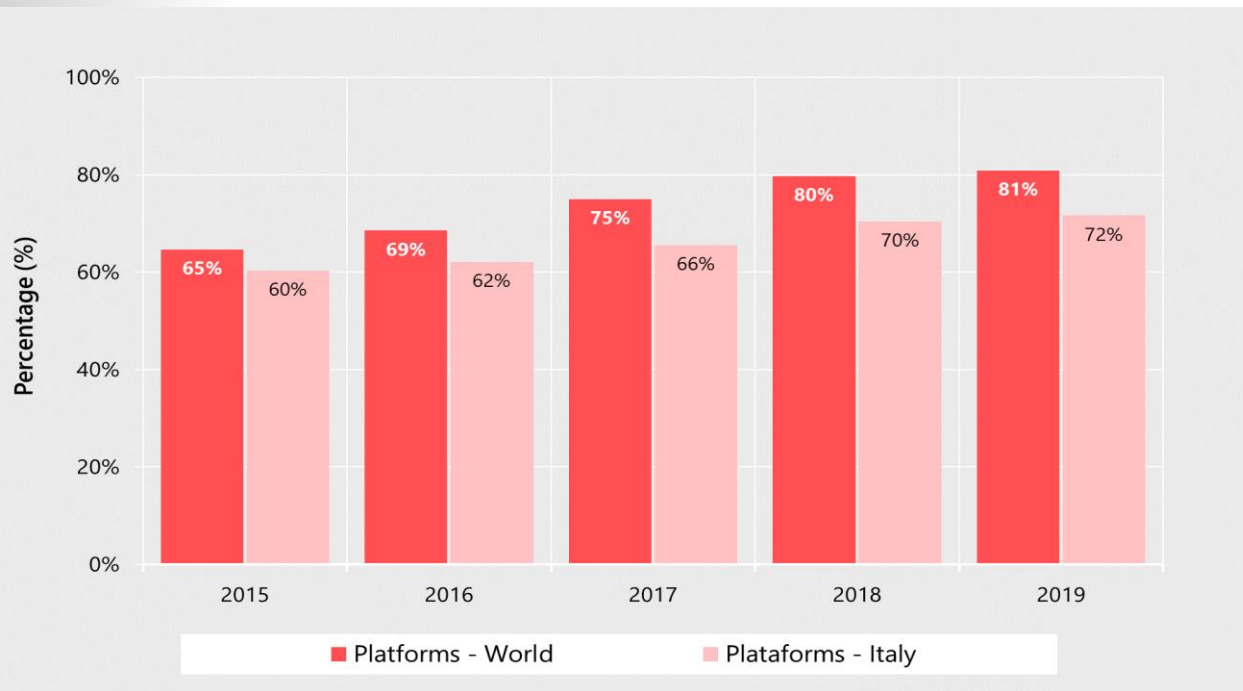
### **Metrics are relevant to:**

- ✓ understand the business model (**multi-sided markets**)
- ✓ assess market share of different providers
- ✓ enhance transparency within the online advertising supply chain



# OTT indicators in context of the online advertising sector

## Percentage of platform's net ad revenue in Italy and worldwide



**NET ADVERTISING REVENUE** : revenue from the sale of online advertising space on our properties or third parties' properties net to the percentage retroceded to those player

Considering the online net ad revenues we can observe a constant **growth in the weight of the platforms on the total**. This trend, found on a global level, also recurs at national level, with **platforms that now hold more than 70%** of total resources. In Italy, regardless of the scenarios envisaged for 2020 following the epidemic, the **share of platforms is expected to continue to increase**

## GROWTH OF THE WEIGHT OF ONLINE PLATFORMS (2015-2019)

### WORLD

↑ +16 p.p.

Percentage of platforms' net ad revenue on total revenue

### ITALY

↑ +11 p.p.

Percentage of platforms' net ad revenue on total revenue

# Report on online platforms



## Indicators collected



### ■ AN OVERVIEW OF DIGITAL PLATFORMS vs TLC & MEDIA COMPANIES

- ✓ **Market value** (top-10 companies by market capitalization) and Stock price trend
- ✓ **Global revenue and globalization index** (% of revenue outside the domestic continent)
- ✓ **Employee productivity** and global revenue per employee
- ✓ Gross margin and EBIT
- ✓ **R&D expenditure**
- ✓ **Investment** in assets

### ■ BUSINESS MODELS AND MULTI-SIDES STRUCTURE

- ✓ **Revenue and global shares by activities** (cloud, vocal assistance, device-mobile, operating systems, browser, online advertising, e-commerce, app store, audio-visual content)
- ✓ **Global share in free services** (search, social network, instant messaging, email, maps, app store)
- ✓ **Multi-homing** (usage of different platform) **in free services**
- ✓ **Break-even** (e-commerce, search, social network, cloud, VOD)

### ■ THE USER DATA VALUE

- ✓ **ARPU** (advertising revenue per users) free services

# OTT indicators in context of the free service: ARPU

## ARPU as an indicator of user data value

When online services are offered for free, an **implicit exchange between users and the platform** takes place. Although there is not a monetary transaction, such exchange is proven by the data transfer from individuals to platforms. Such data transfer is performed by the final user in order to access the services, free of charge. The availability of a large amount of users data allows platforms to perform accurate users profiling. On such profiling depends the platforms ability to reach specific consumers' targets, so that they can be advertising recipients.

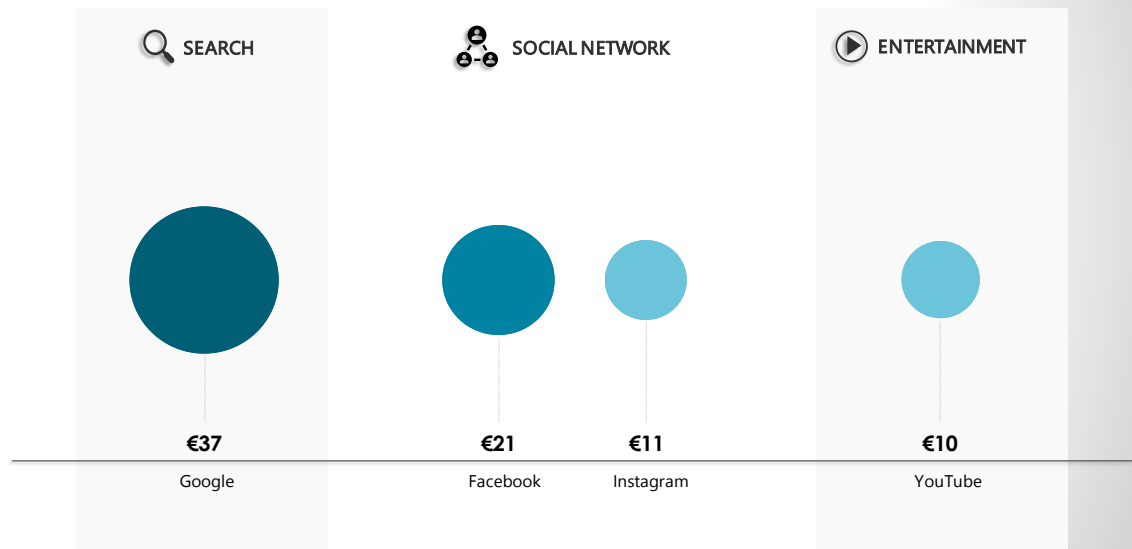
In this context, **ARPU** (given by the ratio between the advertising revenues during the year and the average number of reached users) **provides a measure of the value attached to the (personalized) targeted advertising contacts of the platform**, hence to the value assigned - for advertising purposes - to those data, which is implicitly exchanged for a free service

## Types of data with a greater value

### Users queries

It is estimated that data generated by users through search queries, social networks and free entertainment have an **annual value which ranges between 10 and 40 euros per user**. In more details, data generated by the users' search queries can be considered as a proxy of their own interests and assume the highest value. The global ARPU related to search queries (by Google) is equal to € 37 per user

## FREE SERVICES GLOBAL ARPU (advertising revenues per user; 2018)





# OTT indicators in context of the free service: share and multi-homing index

## SHARES IN FREE SERVICES

	Google		facebook	
	Share	Rank	Share	Rank
<b>Search</b> Minutes spent in a month in Europe (EU5), Oct-18/Sept-19	88%	1		
<b>Social network</b> Minutes spent in a month in Europe (EU5), Oct-18/Sept-19			76%	1
<b>Instant messaging</b> Minutes spent in a month in Europe (EU5), Oct-18/Sept-19	1%	4	95%	1
<b>Email</b> Pages viewed in a month in Europe (EU5), Oct-18/Sept-19	53%	1		
<b>Maps</b> Minutes spent in a month in Europe (EU5), Oct-18/Sept-19	91%	1		
<b>App store (mobile)</b> Global number of downloads, 2018	72%	1		

## MULTI-HOMING (USAGE OF DIFFERENT PLATFORMS) IN FREE SERVICES

	First platform (% of total platform users)			Second platform (% of total platform users)		
	Total	Desktop	Mobile	Total	Desktop	Mobile
<b>Search</b> Duplication of unique visitors in Europe (EU5), Sept-19	37%	46%	10%	82%	71%	89%
<b>Social network</b> Duplication of unique visitors in Europe (EU5), Sept-19	37%	15%	39%	93%	81%	99%
<b>Instant messaging</b> Duplication of unique visitors in Europe (EU5), Sept-19	11%	n.a.	11%	82%	n.a.	82%
<b>Email</b> Duplication of unique visitors in Europe (EU5), Sept-19	22%	18%	18%	55%	34%	61%
<b>Maps</b> Duplication of unique visitors in Europe (EU5), Sept-19	7%	6%	7%	70%	64%	86%

Multi-homing indicates the usage by users of different platforms in order to use digital services. The multi-homing sector index estimates the overall value of users' duplications between different platforms in a month: it is equal to 0 in the absence of multi-homing, namely if each individual uses a single platform

### ■ Critical issues

Highly concentrated reach and low multi-homing level

Google and Facebook, which adopt business models mainly financed by advertisers, **hold, in terms of reach, the leadership as for the services offered for free.** While Google firmly holds the record in the search, e-mail (Gmail), maps (with Google Maps / Earth, Waze) and in the downloads application (via the Google Play Store), Facebook is the leader in social networks (with Facebook and Instagram) and instant messaging (with WhatsApp and Messenger). Moreover, these values - do to **the strong network externalities** which lead the user to choose platforms with wider installed customer bases - are associated with **low levels of multi-homing of the first operator**, which further strengthens the emergence of a single platform. Furthermore, the joint action of such factors, due to the typical feedback system of two (or more) sided markets, may have repercussions on the concentration level of revenues stemming from online advertising

# Lessons learned



**The supply of digital services by online platforms shows a number of distinctive features that may have an impact both on market structures and relevant OTT indicators collection process:**

- ✓ Strong network externalities (direct, indirect and cross-side)
- ✓ Increasing returns to scale
- ✓ Obstacles to multi-homing
- ✓ Switching costs and sunk costs
- ✓ Horizontal differentiation combined with vertical integration strategies
- ✓ Platform envelopment strategies
- ✓ Availability of big data on users
- ✓ Huge amount of investment in asset and in R&D
- ✓ High level of globalization



**Platforms' strong competitive advantages and risk of WTA (Winner takes all) markets structures**

## CONCLUSIONS

**We observe a new paradigm** that relies on a **multi-sided structure**, where platforms act as **intermediaries**. In this context, **user' data play a crucial role** in making profit both via online advertising, and in revolutionizing the provision of traditional services (retail trade, postal services, audio-visual content, music entertainment, automotive, financial services). Online platforms are also enabling **the creation of new markets and services** (cloud and quantum computing, big data analytics, blockchain)

**ADDRESSING OTT INDICATORS IN THE CONTEXT OF ONLINE PLATFORMS MAY REQUIRE A BETTER UNDERSTANDING OF THEIR DISTINCTIVE BUSINESS MODELS AND SERVICES PROVISION**





**Thank you!**

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