

9. Aggregators, Gatekeepers and Dominant Players

Our view:

- Businesses from a range of media sectors identify Google's online dominance as an actual or potential threat to their businesses, but consumers' attitudes to Google are overwhelmingly positive.
- In sectors which do not yet include a dominant online player, now is the time to develop industry-led solutions which will enable content creators to retain control over distribution to the consumer.
- For those sectors where aggregators are already dominant, a delicate balance must be struck between maximising commercial opportunity (even if that means cutting a deal with the aggregator) and nurturing alternative routes to market, whether through innovation or through partnerships with less established players.

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Fight or flight?

"Control your brand, control the rights you've got, the timing, the visibility."

UK broadcaster

Executives from almost all of the industry sectors we considered in connection with this year's Report identified Google's online dominance as an actual or potential threat to their businesses:

"Aside from the economic storm, Google is the only commercial threat to us."

Marketing services executive

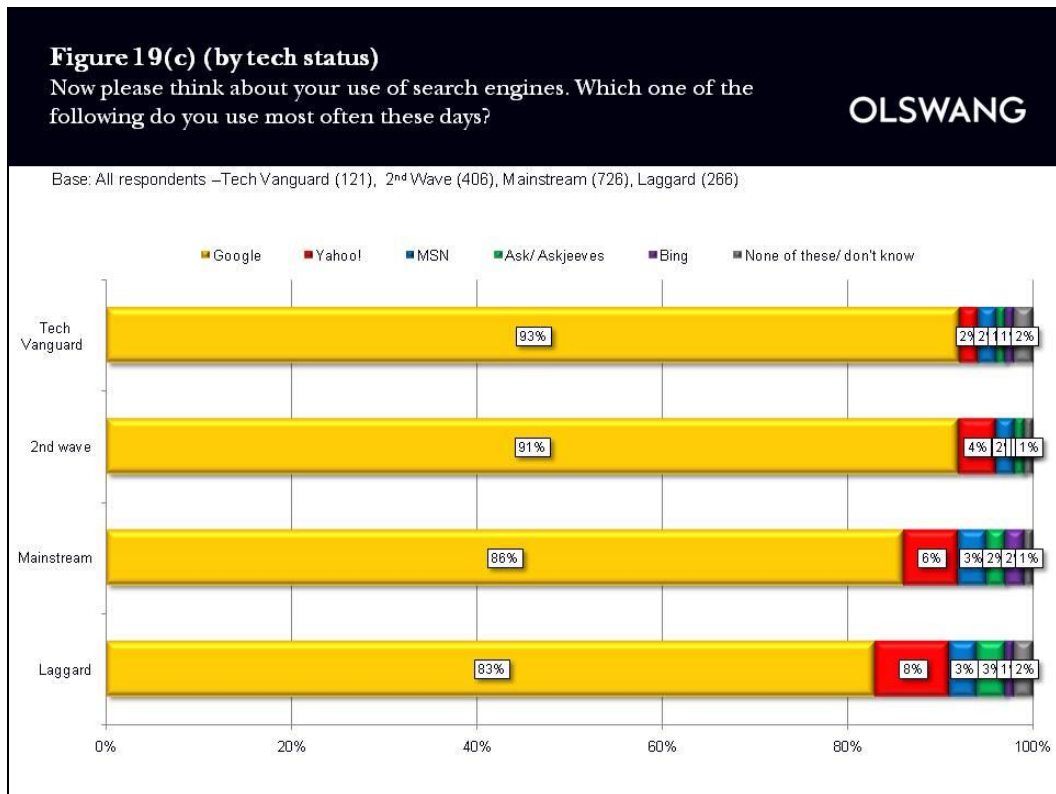
"Commercially...it's very disruptive..., it's only a competitor because it's allowing people to distribute content that no one is getting paid for and that isn't a sustainable business model for them or anyone else."

International broadcaster

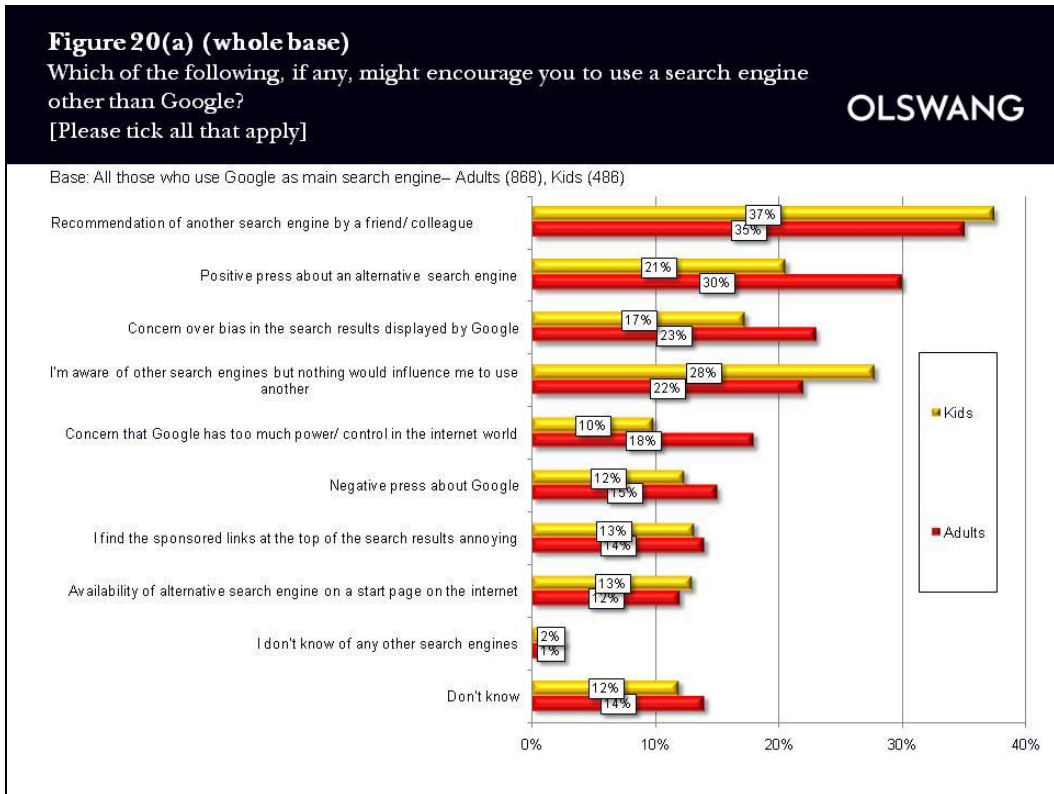
"...they have sucked money out and they have no interest in investing any back in."

UK broadcaster

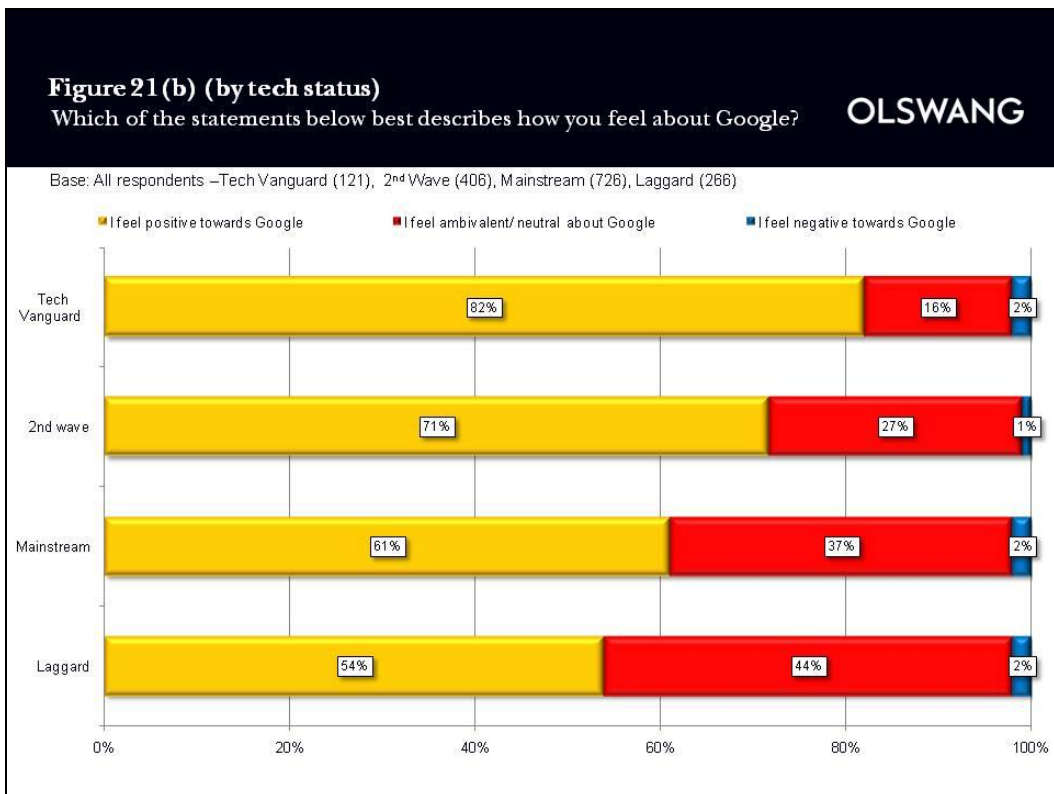
In contrast to these commercial concerns from industry executives, very few of our survey respondents indicated any negative attitudes to Google. As Figure 19(c) illustrates, Google has an overwhelming dominance throughout all tech adoption segments in the context of our respondents' most used search engine:



Although our respondents again demonstrated a significant reliance on the recommendations of their friends and colleagues, they only indicated limited interest in migrating to an alternative search engine (Figure 20(a)). In response to this question, only 17% of Kids and 23% of Adults suggested that they were concerned, for example, about possible "bias" over the manner in which search results might be presented by Google, and just 18% of Adults and 10% of Kids would potentially be motivated to find another search engine as a result of concerns over Google's power.



As Figure 21(b) shows, no more than 2% of respondents in any of our tech adoption segments stated that they felt negative towards Google, with some 82% of the Tech Vanguard stating that they felt positive:



In addition, we gave our consumers an opportunity to provide us with their personal views and comments about Google. Selected responses are set out below, from which it is clear that, even where consumers recognise the strength of Google's position, they are often still predisposed to enjoy the benefits of the services it offers:

Please type in the box any further comments you may have about Google and the impact you think it might have on how the internet develops.

Selected responses

“As long as google abide by "Don't be evil" and generate innovative products (Android, Wave) they're fine by me.”

“For some reason, I trust Google.”

“Google has a monopoly, but currently every product they produce is of extremely high quality and free from extraneous bullshit.”

“Google has created a very familiar and excellent search engine with a powerful brand. But I do not wish them to dominate the market place.”

“Google is very controlling but it is far better than any comparable search engine - faster, more comprehensive, with strong positive brand associations for the most part. And Yahoo is vile.”

“I am aware that I only ever get what google wants me to have but that will be the same for all free search engines so I just get on with it.”

“I feel that when Google owns us all it will be a relatively benevolent dictator.”

“It will rule the world in ten years time.”

What strategies are businesses adopting to the distribution of their content and services in an online world? Is there any choice but to do deals with dominant players, including the major aggregators and platform operators?

One broadcaster suggested that innovation was the most appropriate response to the challenge posed by Google:

"[R]ather than attack them I think we should innovate in our area of greatest strength, which is effectively in inventing from our knowledge of our medium...That whole area of how the eyeballs get sold and then the trading model...the way it is audited, the way it is invoiced...it is appalling. It is the wild west by comparison to the very high structured way that TV impacts are traded...we have to innovate our way out of it. We can't just do it through legislation or complaints, unless of course they are breaking the law. The fact is we understand content and we also understand brand communication more because that is what our medium is much better at".

For those businesses that rely on aggregators for the distribution of their content, there is a delicate balance to be struck. Broadcasters are conscious that, as producers increasingly enjoy non-exclusive on-demand and other "secondary" rights, there is an increased likelihood of the broadcaster being bypassed as these rights are taken direct to the aggregator, even though "*the broadcasters are the ones who made the content famous in the first place*". This may leave broadcasters with no choice but to work with aggregators in some scenarios, even though, as a digital distribution executive at a UK broadcaster told us:

"I don't think it's particularly safe to put all your eggs into one basket where you are merely a supplier and you have little control over your brand... I don't like building other people's businesses...[but] money talks... we're getting visibility of the smaller outfits and the numbers are tiny, really tiny, and the line we have to tread is to optimise distribution rather than maximise distribution".

Our concern is that, as the long tail gets even longer and the costs of cataloguing and managing an ever increasing library of online content increase, the barriers to entry for potential new market players can only get higher. The risk is that, as content owners become increasingly dependent on a small number of very large distributors, it becomes less imperative for the established players to innovate or compete.

A senior magazine executive suggested that, in the digital world, magazine and news publishers must not fall into the same trap as music and book publishers, given the risk that distributors such as Apple or Amazon will end up owning the relationship with the consumer, controlling consumer data and retaining the bulk of transactional revenues arising from online distribution. This executive was convinced that publishers need to converge on a worldwide solution where each publisher continues to own its customer relationships, set pricing and determine any intermediary's revenue share, describing this as "*such a game changing moment that every effort must be expended to make it work*".

Of course, any solution where competitors get together to take on a common "enemy" would need to be carefully implemented in order to avoid potential competition law issues. But competition law isn't the only challenge here. A senior executive at a major book publisher described the tension between balancing the opportunities for more profitable, direct-to-consumer online exploitation against the need to manage key relationships with significant distributors such as Amazon. The digital distribution executive who provided us with the above quotation put it simply: "*money talks*".