

Digital markets, communications and media: update to Ofcom's areas of focus

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Overview

In September 2022 we published our Digital Markets Strategy,¹ which set out how we would support competition and the best outcomes for customers and businesses when considering the impact of digital markets on communications and media sectors in the UK.

Digital markets can transform consumers' experiences across the sectors we regulate, but their interactions with communications and media sectors may also give rise to competition concerns. In line with our strategy, we have completed a market study into cloud services in the UK under the Enterprise Act 2002 (the Enterprise Act) and other work on net neutrality, online personal communications services and connected TV platforms.

This document provides an update to our areas of focus under our strategy: in particular, considering the impacts of large digital firms on mobile broadband and the evolving relationships between search and social media platforms and publishers.

Our work will take account of legislation that has passed into law since our strategy was published. In May, the Digital Markets, Competition and Consumers Act 2024 (DMCC Act) passed into law. It empowers the Competition and Markets Authority (CMA) to implement the pro-competitive digital markets regime.

The DMCC Act also contains provisions to enable further coordination between the CMA and other regulators, including Ofcom. Where appropriate, we will coordinate with the CMA, sharing insights and ensuring that we take a joined-up approach to digital regulation. We will also collaborate with the CMA to manage the interactions between online safety and the pro-competition digital markets regime.

More generally, we will continue to monitor communications and media sectors to identify potential risks and benefits of digital services for consumers and businesses. If we see evidence that markets are not working in the interests of consumers, we will intervene if necessary to address this.

Ofcom's strategy and approach to digital markets

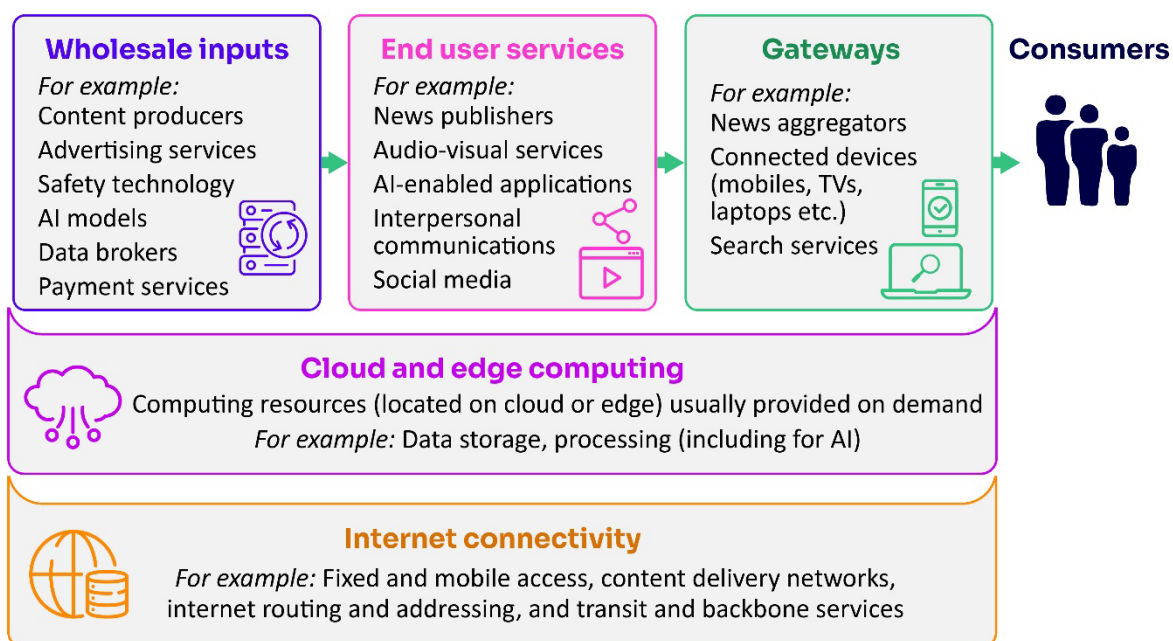
Digital services are now an integral part of the way people communicate and consume media content. Since Ofcom was created over 20 years ago, the internet has transformed the way we communicate, buy products, obtain information and use public services. Digital services have

¹ Ofcom, [Digital markets in the communications sector](#), 2022.

enhanced the way we live and work, with benefits for all consumers and new opportunities for business.

Communications and media sectors are at the heart of this transformation, with digital communications services offering greater choice and innovation, allowing consumers to engage with content and each other in ever more flexible and innovative ways and supporting businesses to drive efficiencies and in the delivery of new services. As illustrated below, the internet is integral to how communications services are delivered, from calling and messaging to consuming content on television and other media. At the same time, there are innovative new online services that supplement or substitute for the ways we have communicated traditionally.

Figure 1: Digital communications value chain



However, the nature of some digital markets can, if unchecked, raise new competition concerns that risk holding back innovation, investment and growth – harming the people and businesses that rely on these services and, potentially, the economy more widely. It is therefore critical that digital markets remain open to dynamic competitive forces, so that they continue to deliver innovation and value to everyone, including communications and media users.

Ofcom’s role in digital markets

Since the publication of our 2022 Digital Markets Strategy, new legislation has provided the basis for the CMA to establish a pro-competition regime for digital markets. The DMCC Act empowers the CMA to designate firms that perform digital activities with Strategic Market Status (SMS) and to impose new rules on SMS firms.² This function will be implemented by the CMA’s Digital Markets Unit.

² Part 1 of the DMCC Act confers powers on the CMA in relation to the promotion of competition in digital markets. Under the DMCC Act, the CMA has the power to designate firms as having Strategic Market Status in

The DMCC Act contains provisions to enable further coordination between the CMA and other digital regulators. It places a duty on the CMA to consult Ofcom, the Financial Conduct Authority (FCA), the Information Commissioner's Office (ICO), the Bank of England and the Prudential Regulation Authority when the CMA's digital markets actions may impact on certain aspects of their regulatory remits. The DMCC Act also empowers the FCA and Ofcom to make recommendations to the CMA with respect to how the CMA uses its digital markets powers. The CMA and Ofcom expect to publish a Memorandum of Understanding in the near future, which will set out how we will put into effect the regulatory coordination provisions of the DMCC Act.

Ofcom will engage with the CMA where the CMA's work on potential SMS designations and regulatory interventions affects communications and media sectors in our regulatory remit. We will share our knowledge and expertise in communications sectors and work to ensure a coherent approach to digital regulation in the round. This coordination builds on our existing close relationship with the CMA, for example in relation to concurrent competition powers. Our additional engagement with the CMA, the FCA and the ICO through the Digital Regulation Cooperation Forum (DRCF) also allows us to support a coherent regulatory approach across the wider digital regulatory landscape.

In addition, we will continue to monitor developments in our sectors to identify the potential risks and benefits of digital services for consumers and businesses. We will consider whether to act, if required and appropriate, using our own powers. We will approach decisions on whether to act in relation to a competition or consumer protection concern and whether we act ourselves, or in support of another regulator, on a case-by-case basis. This will depend on considerations including: the degree to which an issue engages our strategic focus; the immediacy and materiality of an issue; Ofcom's administrative priorities; and the degree of relevance an issue has to the work of other regulators.

As part of our programme of work we will continue to monitor international developments

The UK is not alone in responding to the competition and consumer challenges raised by digital markets. Many large online platforms have global footprints, operating and innovating across jurisdictions, which means that changes can happen quickly and globally. Internationally, regulatory authorities have continued to turn focus to digital markets. We are seeing the emergence of ex ante regulation of large online platforms globally, most notably in the European Union (EU) via the Digital Markets Act (DMA). Efficient and joined-up regulation is key to addressing the complex challenges that digital services and technologies pose.

We maintain a strong interest in digital markets legislation internationally, for example in the EU with the DMA and in broader developments in the United States, where the Federal Trade Commission and Department of Justice have pursued multiple antitrust cases against large online platforms. Regulatory interventions enforced in other countries can impact the way digital firms operate in the UK, even when they do not directly apply to the UK. For example, Microsoft's decision

relation to a digital activity. Once designated, the CMA will be able to set requirements on how these firms should conduct themselves in relation to that activity (Conduct Requirements). The CMA will also be able to investigate whether there are factors relating to a relevant digital activity that are affecting competition adversely and which could be addressed through Pro-Competition Interventions.

to unbundle Microsoft Teams from Office 365 on a worldwide basis in response to antitrust investigations in the EU is expected to impact how communications services work in the UK.³

Recent work to explore how digital markets are reshaping communications

In the 2022 Digital Markets Strategy, we set out focus areas for our work as: net neutrality, online personal communications services and digital content gateways, alongside our market study into cloud services in the UK under the Enterprise Act. We identified that each of these areas had significant links to the digital communications value chain and we have conducted work to understand the issues raised.

We have concluded our market study into cloud infrastructure services and referred the market to the CMA to consider further

Businesses across the UK economy are adopting cloud computing and it has become an essential input to services across the digital communications value chain, including in the telecoms and broadcasting sectors. Cloud is expected to underpin the development of artificial intelligence (AI), as it provides the computing resources and infrastructure needed to train and deploy AI models at scale. Ofcom carried out a market study under the Enterprise Act into cloud services in the UK to assess how well this market is working, which we concluded in October 2023.⁴

We found evidence of some positive outcomes for customers. These included product innovation and the provision of a wide choice of services from cloud providers and independent software vendors that build their products on the infrastructure of cloud providers.

However, the supply of cloud infrastructure in the UK is concentrated. Our view was that certain market features diminished competition by making it more difficult for customers to switch and use multiple suppliers. These features included: charges that customers pay to transfer their data out of a cloud; a lack of interoperability and portability between different clouds; and spend discounts that incentivise customers to use a single cloud provider. This risks harm to cloud customers, either by driving higher prices or denying them access to innovative products. We were also concerned that, going forward, if customers had difficulty switching and using multiple providers, it could make it harder for competitors to gain scale and challenge the market leaders.

Given the concerns we identified, we referred the UK public cloud infrastructure services market to the CMA to carry out a market investigation. This investigation is underway and will be concluded by August 2025.⁵

We updated our net neutrality guidance to further enable the development of digital markets

Net neutrality has played a critical role in allowing people to access the content and services they want, from web browsing to streaming videos to posting on social media. Net neutrality rules make

³ Microsoft, [Realigning global licensing for Microsoft 365](#), April 2024.

⁴ Ofcom, [Cloud services market study](#), 2023.

⁵ CMA, [Cloud services market investigation](#).

sure that internet service providers (ISPs) treat the traffic that their broadband and mobile networks carry equally and do not prioritise or slow down particular content or services in a way that favours some over others. As technology evolves and we spend more of our time online, it is important that net neutrality continues to support innovation, investment and growth, by both content providers and ISPs.

Our 2023 net neutrality statement set out the conclusions of our assessment of how the net neutrality framework was working.⁶ We also published new guidance on how the rules should apply.⁷

In general, we found that net neutrality has worked well and has supported consumer choice, while also enabling content providers to deliver their content and services to consumers. However, there were several areas where we provided more clarity in revised guidance, to enable ISPs to innovate, manage their networks more efficiently and thus to both improve their operations and consumer outcomes. These areas included traffic management, differentiated retail offers and zero rating. In this context, innovation by ISPs can be integral to promoting a vibrant and dynamic digital sector.

Looking forward, we will continue to monitor compliance with the net neutrality rules, our new guidance and the broader internet ecosystem more generally. We will publish an annual monitoring report setting out our findings in early 2025.

We looked at competition in personal online communications services, which are increasingly important to how people communicate

Personal online communications services (OCS) are becoming central to meeting everyone's communication needs, with services like WhatsApp gradually replacing older technologies like SMS. In October 2023, we published a discussion document on personal OCS, which took a high-level look at competition and consumer issues in the market.⁸ We found that WhatsApp, and Meta's OCS as a whole, have a strong market position in the UK. The nature of OCS – which only allow users to message other people who are on the same service – creates network effects, which could confer an advantage to larger platforms, acting as a barrier to entry and expansion for newer or smaller platforms that may struggle to attract users.

However, we observed broadly positive outcomes for users of OCS today, with little evidence of significant harm from any competition issues. Consumers have access to a wide range of services, which are usually provided free of charge. The evolution of these services indicates some level of incentive to improve services, even among providers with a large user base.

Given these findings, and recognising that OCS can develop quickly, we will continue to monitor developments in the sector, in case new concerns arise in the future as OCS features, usage and business models evolve. We will also continue to monitor developments in regulation in the EU as some large OCS implement interoperability requirements.⁹

⁶ Ofcom, [Net Neutrality Review](#), 2023.

⁷ Ofcom, [Guidance on Ofcom's approach to assessing compliance with the net neutrality rules](#), 2023.

⁸ Ofcom, [Personal online communication services](#), 2023.

⁹ See European Commission, [Digital Markets Act: Commission designates six gatekeepers](#), September 2023.

We have examined the role of connected TV platforms as digital content gateways and how they make content available and discoverable to UK audiences

People have increasingly adopted smart TVs, set-top boxes and other streaming devices that contain connected TV platform software to watch TV. To keep up with audiences' changing habits and expectations, content providers have found it more and more important to ensure that viewers can access and discover their apps and internet-delivered channels on connected TV platforms. The agreements between content providers and connected TV platforms, which determine what content platforms carry and promote, have an important influence on the TV content that audiences watch. A well-functioning market for connected TV platforms is crucial to ensure people can enjoy a wide range of high-quality content.

Together with this paper, we have also published a discussion document on the connected TV platform market, which examines how well competition between connected TV platforms is working: specifically, whether the current level of competition enables content providers to access a range of platforms, such that viewers can discover a variety of TV content. We considered whether there could be a need for access-related conditions to secure adequate access, interconnection and interoperability on connected TV platforms. For this purpose, we used our information-gathering powers to look at the agreements between platforms and some content providers, which determine the availability and prominence of content on platforms' user interfaces.

We found that, in general, content providers can agree terms with platforms to secure the availability of their content. Content providers may pay platforms for this access. Some content providers, typically those with popular content and a large audience, can negotiate bespoke agreements.

Beyond their agreements with content providers, we found that platforms give prominence to content services that platform operators themselves own, which may encourage some firms to enter platform markets, but could also make it harder for audiences to access and discover third-party content services. We also found that some features of the connected TV platform market could raise barriers to entry or expansion for smaller platforms, which could ultimately limit the range, quality and cost of TV content available to audiences.

The Media Act 2024 (the Media Act) has changed Ofcom's responsibilities as the UK's regulator of broadcast and video-on-demand services. In particular, it has introduced new rules to ensure Public Service Broadcasters (PSBs)' players and public service content are available, prominent and easily accessible on a range of connected TV platforms. We have decided as a matter of administrative priority that we will not consider further the application of access-related conditions in the connected TV platform market at this time. Instead, we will prioritise the implementation of our duties under the Media Act to ensure the availability, prominence and accessibility of PSBs' content on connected TV platforms. We will also continue to monitor how the connected TV platform market develops, to ensure that it works in the interests of citizens and consumers.

Areas of focus going forward

We will undertake further work to examine how digital markets are delivering for consumers and businesses in the communications and media sectors. We will consider the impacts of digital services on competition and innovation, as well as wider public policy objectives such as supporting media plurality, which is of vital importance to society and to individuals.

Two areas of immediate focus for Ofcom are the impact of large digital firms on mobile broadband and media in the UK. We will also continue to monitor how digital markets shape communications sectors more widely, to identify potential risks and benefits for consumers and businesses.

The impact of large digital firms on mobile broadband

5G technology enables better quality services to be supplied to businesses and consumers and can support a range of new innovations. For example, greater mobile network performance through network slicing¹⁰ could help support new or enhanced applications such as cloud gaming and augmented reality. Mobile operating systems act as a gateway between application providers, consumers, businesses and networks and the approach that Google and Apple's mobile ecosystems take to enabling new technologies through their operating systems is important to the way mobile broadband and, in particular, 5G networks may develop.

In 2022, the CMA found that Apple and Google have substantial and entrenched market power in mobile operating systems.¹¹ Ofcom's duties include ensuring mobile broadband markets function in the interests of citizens and consumers and we are considering whether Apple and/or Google could leverage this market power in a way that could negatively impact mobile broadband in the UK.

We will focus our work on understanding if Apple and Google could influence the development of network slicing and whether this could give rise to potential adverse outcomes for businesses and consumers in the UK mobile sector. If warranted, we will consider whether specific concerns are likely to be addressed by the new DMCC regime or could be addressed by our regulatory powers.

The impact of large digital firms on the UK's media sector

'Media we trust and value' is a priority outcome for Ofcom.¹² We are committed to maintaining a wide range of high-quality content and services, protecting audiences from harmful content and ensuring news is duly impartial and duly accurate.

Audiences in the UK enjoy an extraordinary choice of content from a wide range of providers, supported by a mature regulatory framework. As audience choices shift from traditional media such as broadcast channels and newspapers towards online media services, the impact of online distribution is an increasing focus of our regulatory work. We are undertaking work to understand the impact of these changes on news markets and our Public Service Media Review will consider the implications for public service media and the broader TV and radio sector in the UK.¹³

Media markets are fast-developing: for example, generative AI is driving changes in the way content is created and disseminated. These have the potential to further impact the availability of news and other media to audiences.

There are several areas where competition in digital markets may have an impact on the development of news and other media in the UK. There are longstanding concerns amongst news

¹⁰ Network slicing technology enables mobile network operators to virtually segment their networks into 'slices' that offer specific service quality characteristics, enabling the mobile operator to manage traffic more efficiently on its network. It is a capability best served by 5G Standalone networks.

¹¹ CMA, [Mobile ecosystems market study final report](#), 2022.

¹² See Ofcom, [Ofcom's Plan of Work 2024/25](#), 2024.

¹³ Ofcom, [Public Service Media Review – Terms of Reference](#), 2024.

publishers and other content creators about the bargaining power of some online platforms: in particular Google, due to its market position as a provider of search engines; and Meta from its position as a provider of social media. In 2021, Ofcom and the CMA provided advice to the Secretary of State on how the financial relationships between the largest online platforms and news publishers could be made fairer using provisions contained in the proposed DMCC Bill (which has since passed into law).¹⁴

A wide range of news publishers and other media content creators make use of digital advertising markets to monetise the attention they capture on their online services. The CMA found that there were wide-ranging problems with competition in digital advertising markets and identified a few specific interventions to tackle them that the CMA could introduce under the digital markets regime.¹⁵

It is important for the delivery of Ofcom's wider goals in the media sector that competition works effectively in the digital markets that supply news and other content that audiences value and rely on. We will continue to collaborate with the CMA to help to ensure that the digital markets regime secures good outcomes for the future of quality news creation and the future of public service media in the UK.

Continued monitoring of digital infrastructure trends

We will continue to monitor our sectors more generally to understand how developments in digital markets could impact communications and media sectors. This includes trends in digital infrastructure, which is important to the delivery of communications services. For example, an emerging area of interest is edge computing, which can improve application responsiveness (i.e. latency) and reduce data transmission costs by using a model of distributed computing that brings data and processing close to end-users – potentially up to the user device itself. This area is evolving to, for example, enable some AI inferencing¹⁶ to happen at the device level and will become increasingly important for how the internet functions and how digital communication services will be delivered (for example content delivery, including internet protocol television).

We will keep building our understanding of how digital infrastructure is developing, identifying the potential benefits and risks to competition and how this may impact outcomes for businesses and consumers.

Managing the interactions between online safety and digital markets regulation

The Online Safety Act 2023 (the Online Safety Act) made us the online safety regulator and we expect to see our online safety regime Codes of Practice on Illegal Harms and the Protection of Children pass through Parliament in 2025. User-to-user and search services in scope of the Online

¹⁴ Ofcom and the CMA, [Platforms and content providers, including news publishers: Advice to DCMS on the application of a code of conduct](#), 2021.

¹⁵ CMA, [Online platforms and digital advertising: market study final report](#), 2020.

¹⁶ Obtaining an output or a prediction from an AI model.

Safety Act will need to conduct risk assessments and take the steps laid down in the Codes or use other effective measures to protect users.¹⁷

As a matter of course, we will continue to consider the interaction between our online safety duties and competition in digital markets. Our online safety interventions are subject to impact assessments. As part of these, we consider the implications for competition, including for small and micro businesses, and other impacts on users of regulated services.

We are mindful of broader potential interactions between our online safety activities and the CMA's digital markets activities, on which we expect to collaborate and coordinate with the CMA, as relevant. We described in our 2022 joint statement¹⁸ that doing so may help us to better understand and manage potential synergies or tensions between competition and online safety issues. As the CMA begins to intervene under its new powers in digital markets, in parallel to our online safety interventions, we will consider which targeted areas of policy interaction would benefit from further collaboration and coordination.

Conclusion

The work we have undertaken under our 2022 Digital Markets Strategy has enhanced our understanding of digital services and their impacts on the sectors we regulate. Building on this, we now intend to explore further the impacts of large digital firms on connectivity and media in the UK, to ensure that markets are working for consumers, competition and innovation.

In defining our next areas of focus, we have taken account of the CMA's new role under the DMCC Act. We will engage with the CMA where the digital markets regime will affect communications and media sectors. We will also monitor the interaction between our online safety duties and competition in digital markets, including where we may need to manage interactions between the CMA's digital markets regime and our online safety rules.

We recognise that digital markets continue to evolve rapidly and our approach may need to adjust to emerging trends. We will study wider developments in digital services as they impact markets we regulate, to identify potential risks to consumers and businesses. If we see evidence that those markets are not working in the interests of consumers and businesses, we will intervene if necessary.

¹⁷ Ofcom, [Implementing the Online Safety Act: progress update](#), 2024.

¹⁸ Ofcom and the CMA, [Online Safety and competition in digital markets: a joint statement between the CMA and Ofcom](#), 2022.