

Locked in an unequal war

Digital giants like Facebook and Google are endangering the local media and ad industry while profiting from free flow of news and information from these companies

DUBAI

BY MANOJ NAIR
Associate Editor

Digital giants such as Facebook and Google have built an impregnable business model based on the idea of sharing, attracting millions of users every day who flock to the sites to showcase a glimpse of their life, voice an opinion or simply share a cat video.

The detailed activity of each user gets shared — of course, for a fee — with any advertiser out there who wants to know more about such preferences.

But when it comes to sharing ad dollars for their business models that are strongly reliant on free-flowing content from local media, these giants have conveniently managed to bypass local media houses and advertising agencies in the UAE, endangering the revenue streams and the robust media publishing ecosystem.

There is a full-blown crisis in the UAE and the Gulf's media industries that is threatening legitimate businesses, and it is due to Facebook and Google's surreptitious business model, where they masquerade as tech companies while operating and profiting as media behemoths. Locally, these companies manage to do that without either being registered as media businesses in the UAE or paying any of the licence fees and taxes that typical media companies in the country are required to pay to the regulators.

Clickbait headlines

"Digital platform companies such as Google and Facebook are increasingly asserting their role as 'frenemies' of media, unduly profiting from the remarkable content generation abilities of media companies. The impact this has on content generation is the biggest challenge — and that is seldom addressed," says Sunil John, founder of ASDA'A Burson-Marsteller and president — Middle East of Burson Cohn & Wolfe. Indeed, Google and Facebook continue to gobble up the digital media and advertising market worldwide, siphoning off revenue that once paid for the quality journalism. Thanks to their dominance over digital distribution, publishers can chafe at the paltry returns they receive from Google and Facebook, but hardly do anything more.

"It is no secret that on-line advertising is less expensive than traditional print or TV," said Reda Raad, CEO of TBWA\Raad Group. "Whether it is effective or not depends on a multitude of factors ... While you may have the abil-

Industryspeak



Reda Raad | CEO, TBWA\Raad Group

Google has had its own creative team in the region for a number of years, as has Facebook. For clients to work with them directly requires the use of the tech giants' own creative teams or their own in-house units. Is this the best way to approach communications? I would argue no. [Ad] agencies provide competitive edge through work that is both disruptive and innovative. This requires bravery and taking risks."



Sunil John | Founder, ASDA'A Burson-Marsteller

Digital platform companies such as Google and Facebook are increasingly asserting their role as 'frenemies' of media, unduly profiting from the remarkable content generation abilities of media companies ... And that is what we are losing out — with these tech giants snatching away advertising share even as they ride on content developed by media companies for free."



Satish Mayya | CEO, BPG Maxus

The fact that Facebook had to use a print medium to apologise on the Cambridge Analytica privacy breach — when they have a wider reach than most US and UK newspapers put together — says a lot. It possibly means print is still perceived as being more regulated and trusted by its readers. It is critical for an advertiser that his message is seen as credible for the message to gain acceptance."



Scott Goodson | Chairman, StrawberryFrog

"The generation that was the first to experience a smartphone 1,000 times smarter than the 1990s personal computer, the first to have Facebook and so on. But we are also the last generation to read newspapers printed on paper. The last of the humans to experience news as the check and balance to the powers of government. As news becomes entertainment, it becomes a promotional vehicle."

60%

of the global online advertising market has been captured by Facebook and Google, according to eMarketer

ity to reach a mass audience at low cost, the ability to do untold damage is also greatly increased. Google has had its own creative team in the region for a number of years, as has Facebook. For clients to work with them directly requires the use of the tech giants' own creative teams or their own in-house units. Is this the best way to approach communications? I would argue no. [Ad] agencies provide competitive edge through work that is both disruptive and innovative," he said. Not just the agencies, the UAE's media houses and publishers are also at the mercy of Facebook and Google if they want to be effective in the digital domain. "As our annual ASDA'A Burson-Marsteller Arab Youth Survey has pointed out, social networks and online media are increasingly being the first source of news which, on the first hand, is generated

by media companies that are being deprived of their share of recognition in revenue," says John. Apart from the obvious financial damage inflicted, genuine content becomes the victim in the fight for clickbait headlines and fake videos. "We are living in the age of 'first of's' and 'last of's'," said Scott Goodson, chairman of New York-based branding consultancy StrawberryFrog. "The generation that's the first to experience a smartphone 1,000 times smarter than the 1990s personal computer ... But we are also the last generation to read newspapers on paper. As news becomes entertainment, it becomes a promotional vehicle," he said.

In a cost- and click-obsessed world, should clients and media companies both about factors such as credibility, creativity or brand image as long as they can push out

Media titans speak out against tech giants



Facebook and Google have popularised scurrilous news sources through algorithms that are profitable for these platforms but inherently unreliable ... The remedial measures that both companies have so far proposed are inadequate, commercially, socially and journalistically. There has been much discussion about subscription models but I have yet to see a proposal that truly recognises the investment in and the social value of professional journalism ... If Facebook wants to recognise 'trusted' publishers then it should pay those publishers a carriage fee similar to the model adopted by cable companies. The publishers are obviously enhancing the value and integrity of Facebook through their news and content but are not being adequately rewarded for those services."

Rupert Murdoch | Executive chairman, News Corporation



The temperature is rising in terms of concern, and in some cases anger, about what seems like a very asymmetric, disadvantageous relationship between the publishers and the very big digital platforms ... The thinking is that publishers need the option of operating as a group — and the leverage that would come from any collective action — should they determine that it's the only way to win meaningful accommodations [with companies like Facebook and Google]."

Mark Thompson | Chief executive, New York Times Company



The media is in crisis ... Google and Facebook are taking the vast majority of ad revenue, and paying content creators far too little for the value they deliver to users. This puts high-quality creators at a financial disadvantage, and favours publishers of cheap media: fake news, propaganda and conspiracy theories, quickly re-written stories with sensationalist spin, shady offshore content farms, algorithmically generated content, and pirated videos. We will have to continue to fight hard to get paid our fair share."

Jonah Peretti | BuzzFeed founder and CEO



Content in the Facebook newsfeed is generally consumed through serendipity, not intent, making it less natural to grow loyal audiences to any given media brand. A programming platform also enables rich and predictable ways to make money to support quality journalism and storytelling. As of now, Facebook does not offer a viable path to monetise our in-depth work."

Jim Bankoff | Vox Media CEO

— Compiled from agencies



THE PREDATORS

How do tech giants make money?

- To ordinary users, Facebook or Twitter or Instagram look like free-to-use social networks. But their fundamental business model is the same as any media company: build a huge inventory of audiences and sell it to advertisers.
- When businesses buy advertising space on Facebook, they are actually buying access to your attention.
- But thanks to the massive data these tech giants have on you — the audience — they can sell tailored and targeted ads for a specific audience.
- It's the user data that makes a social account profitable: Facebook, for instance, calculates its profits based on average revenue per user (ARPU).
- A typical Facebook account contributed \$5.32 to its profits last year.
- Thanks to its scale and database, Facebook can charge companies a competitive rate for advertisements — which traditional media or ad agencies can hardly match.
- This economic imbalance leaves the media and its supporting ad industry at the mercy of these digital platforms.
- It also directly threatens the endurance of quality journalism, which is expensive to produce, and under economic pressure as never before.
- Like Facebook, Google and Twitter operate on broadly the same model.

— Compiled from agencies

another sensational story or tactical campaign for the cheapest dollar? Satish Mayya, CEO of the media buying house BPG Maxus, likes to differ. "Cost should be weighed against the effectiveness of that medium. In isolation it doesn't mean anything. The fact that Facebook had to use a print medium to apologise on the Cambridge Analytica privacy breach — when they have a wider reach than most US and UK newspapers put together — says a lot. It possibly means print is still perceived as being more regu-

lated and trusted by its readers," he said. But for most advertisers, reaching target audiences at the least cost seems to be the priority now. For instance, an advertisement campaign with a budget of Dh300,000 can last only a week or two if used in print or radio spots. But the same budget can be stretched to two months on Facebook. For small businesses in particular, these are all compelling reasons to move to digital. But even bigger advertisers seeking the always-on digital presence are taking their

ad spends away from traditional media choices.

The emergence of Facebook, Google and other aggregators as news distributors has also raised critical questions about truth and media. According to the Reuters Institute Digital News Report 2017, only about 24 per cent of people in a survey thought social media was doing a good job in separating fact from fiction, compared to 40 per cent for the news media. In an experiment tracking more than 2,000 respondents, the survey found while most could

remember the path through which they found a news story (Facebook, Google etc), less than half could recall the name of the news brand itself.

Media fund

Maya said that the media and ad industries include those who will get into shortsighted approaches and temporarily damage all the good aspects of a product lured by the appeal of these digital platforms. John agreed: "That is what we are losing out — with these tech

giants snatching away advertising share even as they ride on content developed by media companies for free ... So, what we need is a firm policy that forces platform companies to be accountable for the enormous profits they make by benefiting from the hard work of media companies. This could take the form of their contribution to a national media development fund. Our national media understands best the aspirations and hopes of the community," he said.

SOCIAL MEDIA AS A SOURCE OF NEWS: 2013-2017 (SELECTED COUNTRIES)



Base: Total sample 2013-2017 in each country.

TOP SOCIAL NETWORKS AND MESSAGING APPLICATIONS (ALL MARKETS)



Base: Total sample: All markets = 71,805.

5 ways in which digital giants use your data for profits

- 1 Repurposing your content:** What was done to US voters to swing an election in favour of a candidate is what is being done by digital platforms and their advertisers at every opportunity — to influence an online user to choose a particular outcome. When your treasure trove of online data gets repurposed to target a large base of users to act in a certain way, it marks a massive breach of trust. "Social media is essentially a virtual representation of people getting together to network in a physical world," says Satish Mayya, CEO of BPG Maxus. "We are well aware that anything said or done in such a gathering is unlikely to stay private. Why is it that we expect anything different in social media space? We should be wary of the information being put out there and the possibility of misuse."
- 2 Flying the flag for fake news:** What is galling is that the very same platforms that spawned data misuse and fake news are now flying the banner of responsibility, and telling users what they ought to be doing on social media, ignoring the fact that the platforms themselves helped put out the virulent into public realm. These digital platforms want to police which media can be trusted and which cannot. While companies like Google and Facebook have repeatedly claimed they don't want to undermine real journalism and would rather support media companies, top media executives say there has been hardly any tangible action on that front.
- 3 Playing on audience apathy:** Have audiences stopped caring? Who decides what you think — you or your favourite social medium? "I don't necessarily see a correlation between not trusting something and its consumption," says Reda Raad, CEO of TBWA\Raad Group. "People still consume things they know to be nonsense. You can't just blindly assume that consumers' primary contact with content is via social media. It may be the case for news, but what about all other forms of content? It is when you come to the very serious issue of news, the virulent spread of misinformation, privacy, and the rampant abuse of power that trust truly matters. As Facebook is currently finding out to its cost."
- 4 Using TMI in public space:** Public memories are notoriously short, especially on digital space. There's always another clickbait headline enticing you to move in. Or users will again ignore data privacy warnings and flood social media with too much information (TMI) — handing advertisers and marketers a golden opportunity to dangle their next bespoke offers. Satish Dave, senior director, consumer experience and digital at the research firm Kantar TNS, says some lessons have been learnt from the Cambridge Analytica fiasco. "I think the entire ecosystem — brands, advertisers, media agencies and publishers — will need to become more careful about targeting customers using social media. As per our global study of digital audiences, 40 per cent of people are concerned about the amount of information that companies have about them."
- 5 Exploiting lack of legislation:** According to Dave, legislation is bound to increase and everyone will need to make sure that data privacy is managed well. But right now that's a loophole most social media companies are exploiting. "Consumers may have to trade off between the so-called 'free' service and paid content. And in some instances, consumers will realise they really cannot control all data privacy issues and will want to work with companies they can trust," he says. At the end, it all boils down to trust: will new privacy policies by Facebook or Google convince users and advertisers that the tech-media giants have things back in control? There are no easy answers, and one can only keep an eye on the ad dollar revenues both report each quarter.

— By Manoj Nair/Associate Editor

COMMENT

Protect interests of local media

Facebook and Google are siphoning ad revenues, leaving scraps for media houses

BY ABDUL HAMID AHMAD
Editor-in-Chief

In these tough times and the rough waters that all media are treading through — be it the print, online, television and radio — something has to be done to save and secure the future of these media houses.

Here I mean the local media — the one that has grown with the country for the past four decades and established publication houses. They are a part of the UAE's legacy; they are a part of the fabric of society.

Here in the UAE, we have several titles in Arabic and English — some are owned by the government and others by the private sector. Most of these are newspapers that have online editions — the online editions being extensions of the print publications. But looking at them over the past three years makes me feel very sorry and sad. I am not talking about the quality of newspapers — that is another issue. I am talking about the fact that they are being dried up financially and forced to near closure.

I have been in the business of journalism for more than 35 years now. I have grown from a reporter to copy editor to section head, managing editor to Editor-in-Chief and Publishing Director. I have never seen our media in such a miserable situation as today.

All news organisations have taken drastic steps to tackle this dire situation. They have cut costs by reducing the print run, they have cut down on pagination and they have had to take the painful decision of letting go of staff — some of whom have been with the organisation for many decades. But all of these cost-cutting measures have not been the solution. News organisations continue to bleed heavily, especially because costs of almost everything have risen drastically — from newsprint to ink to manpower and utilities.

And to add to these woes, there is the shrinking advertising market. Companies have virtually stopped advertising in print publications. If

you ask them why, the answer is almost instant: they prefer to advertise online. We also have an online edition. In fact, all newspapers have online editions and some have very high traffic — they get millions of page views and unique visitors. But the truth is that online does not make enough revenue to cover the costs of the entire operation — print and digital.

Now to make this deteriorating situation worse, advertisers have also turned their backs on the local media — they are running after digital giants such as Facebook and Google. We are happy to see that some revenue comes back to us in the shape of network ads. But we are not happy that these ads are worth but a few fills, a few pennies, compared to the big money that Facebook, Google and their sister companies are making.



I know for certain that the local media has to survive because they are the real tools for the country.

Protecting national interests

So what can newspapers do if these international digital big players, these giants, have taken the lion's share — 90 per cent of estimated revenue from the national digital media if not more? I know governments of other countries have stood by their national media and have tried to protect their interests. These governments have taxed the magnates. The giants have to pay taxes for the business they do in these countries and the revenue they make. I just dreamt of this happening here through government legislation. In my dream, the lead was taken by the National Media Council to make this come true. The dream was these big houses were made to pay taxes for the business they conduct here. I

also dreamt that the taxes that were taken from these giants were spent on national media houses to help them survive.

What are then the solutions? I do not know. We live in uncertain times. But I know for certain that the local media has to survive because they are the real tools for the country. They inform and educate with real news. The local media is credible; it knows the land; it knows the society. Hence the news is reliable and the views accurate. The substitute is that the foreign media will take over and that will never be in favour of our national interest.

Case study

EU asks Facebook and Google to pay 'fair' tax

BRUSSELS
BY JENNIFER RANKIN

Google, Facebook and Amazon could be made to pay a "fair" share of tax under new European Union proposals on digital companies.

The European Commission has called for large technology companies to pay a 3 per cent tax if they make money from user data or digital advertising in a country, regardless of their

bricks-and-mortar presence — primarily targeting social media companies that are making money through user data and content. European leaders have begun discussing the plans, opening a fractious debate about how to capture revenue from tech giants and digital firms.

France has led the charge for a digital tax, sometimes nicknamed the Gafa tax, after Google, Apple, Facebook and Amazon. The digital tax plans have

been in the works for months, before regulators asked Facebook to explain a data breach affecting 50 million profiles.

The commission has rejected claims that the plan was targeting US companies. "This is not an anti-American tax, this is not an anti-Gafa tax, this is a digital tax," said Pierre Moscovici, the European commissioner for tax, who said 150 firms would be affected, including European, American and

Asian ones. The commission believes the tax will generate €5 billion for European treasuries annually.

The growing dominance of digital companies is seen as a long-term threat to Europe's tax base. The commission estimates that digital businesses pay an effective average tax rate of only 9.5 per cent, compared with 23.2 per cent for bricks-and-mortar firms.

— Guardian News & Media Ltd