Globalization, ICT and Media

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Agenda

- A new global era
- Digitalization and the new media landscape
  - Opportunities for the media industry ... And for corporations
  - Threats for the traditional media industry
- Role and responsibility of new digital multinational companies
- Takeaways and outlook
Learning objectives

- Understand how globalization is changing because of digitalization
- Understand the impact of digitalized globalization on the media industry
- Discuss the related risks for the media industry as well as for the development of a democratic and pluralistic society
- Evaluate the role and responsibility of multinational technology companies within this context
Guiding questions of this session

- What is the impact of globalization and digitalization on the media industry?
- What is the role and responsibility of multinational technology companies within this context?
Globalization & Digitalization
New global era

<table>
<thead>
<tr>
<th>20th Century</th>
<th>21st Century</th>
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<tbody>
<tr>
<td>Tangible flows of <strong>physical goods</strong></td>
<td>Intangible flows of <strong>data and information</strong></td>
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<tr>
<td>Flows mainly between advanced economies</td>
<td>Greater participation by emerging economies</td>
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<tr>
<td><strong>Capital and labor</strong> intensive flows</td>
<td>More <strong>knowledge</strong> intensive flows</td>
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<tr>
<td><strong>Transportation infrastructure</strong> is critical</td>
<td><strong>Digital infrastructure</strong> equally important</td>
</tr>
<tr>
<td>Multinational companies drive the flow</td>
<td>Small firms &amp; individuals can play a role, too</td>
</tr>
<tr>
<td>Flow of mainly monetized transactions</td>
<td>More exchange of free content and services</td>
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<tr>
<td><strong>Ideas diffuse slowly</strong> across borders</td>
<td><strong>Instant global access to information</strong></td>
</tr>
<tr>
<td>Innovation from advanced to emerging economies</td>
<td>Innovation flows in both directions</td>
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</tbody>
</table>
New global era

Global flows of trade and finance are flattening, data flows are soaring

Global flows increase economic growth

<table>
<thead>
<tr>
<th>10% GDP increase</th>
<th>$2.8T from data</th>
<th>~50% potential GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worth $7.8T in 2014</td>
<td>Larger impact than goods</td>
<td>For some countries by increasing participation in data flows</td>
</tr>
</tbody>
</table>
New global era

Cross-border data flows are surging and connecting more countries
New global era

A small group of leading countries are much more connected that the rest of the world.
Digitalization & The new media landscape
Digitalization and impact on the media industry

Digitization

- Integration of digital technologies into everyday life by the digitization of everything that can be digitized (conversion of analogue data into digital form)

- It implies the integration of ICTs (telecommunications, computers as well as software and audio-visual systems) to enable users to access, store, transmit information

- It allows individuals and organizations to communicate directly and publicly with each other

Transformation in how print and audio-visual content is both produced and consumed

- New opportunities for new media actors
- New threats for traditional media companies
New opportunities for the media industry …

• Non-profit organizations such as Wikileaks, ICIJ …
• Pure players: Huffington Post, ProPublica, Mediapart …
Huffington Post

Founded in 2005, bought by AOL in 2011 for $ 315ML.
Pro Publica and Mediapart, investigative journalism

**ProPublica**

- Non-profit, independent newsroom
- Founded in 2008 by Paul Steiger, former managing editor of The Wall Street Journal
- 50 journalists + publications in collaboration with traditional media
- Various Pulitzer prices
- Funded by philanthropic donations, even though they accept advertising and consider selling of data
Mediapart

- Independent and participatory online newspaper
- Founded in 2008 by Edwy Plenel, Bonnet, Desportes, Mauduit
- About 74 permanent employees (50 journalists and 25 commercial employees)
- Profitable from 2011, now has Euro 11ML of revenues (+9% growth) and 1.9ML of profits (16%), +10% subscriptions (130'000)
VICE Media, from print magazine to digital immersion journalism

- A digital media broadcasting company
- Founded in 1994 by Shane Smith, Alvi and McInnes, originating from the Montreal-based VICE magazine
- Expansion into digital video in 2006
- First $70ML from 21st Century Fox in 2013
- Launch of VICE News in 2014
- $200 ML + $200 ML from A&E Networks and Disney in 2014
Content Aggregators: Reddit, Flipboard …

Blendle
The online news kiosk
New opportunities within the media industry …

• Video on Demand: Netflix, Hulu, Google Play, Apple iTunes …
• Technology companies: Google, Yahoo, YouTube, Apple TV …
• Social media platforms: Facebook, Twitter, Instagram …
The biggest online platforms have user data bases equal to the population of the world’s biggest countries

- **Facebook** reached 1.86 Billion monthly active users at the end of 2016
- We have now 3.5 Billion Internet users WW
New opportunities for CORPORATIONS

• Going beyond corporate publishing, disclosing branded content on their platforms or on third party channels

• Creating and sharing their digital content on corporate WebTV, YouTube channels, Facebook Fan pages, Twitter or branded blogs

• They bypass traditional media, directly competing with them for audience attention
New opportunities for Corporations

Coca Cola 2011
New opportunities for Corporations

Red Bull Media House

"The Ivory Game" is among the 75 finalists for the best feature documentary Oscar. The investigative ivory trade doc produced by Nora Millar Film Studies and executive produced by James Dicaprio was shortlisted from a total of 145 submissions. The five final nominees will be announced January 24, along with the rest of this year’s Oscar nominees. The 89th Academy Awards will take place on February 26, 2017, at the Dolby Theatre in Los Angeles.

The Ivory Game is an undercover feature-documentary which exposes the dark world of ivory trafficking. Award-winning director Richard Ladkani and Academy Award-nominated director Reid Davenport filmed undercover for 16 months, moving across the continents of Africa and Asia, documenting the deep-rooted corruption at the heart of the global ivory trafficking crisis.
New threats for traditional media

**THREATS**

- With new ICT fragmentation of audiences and **disruption of traditional media business model**
- **New competitors**: Technology companies (in particular social media), new pure players and even multinational corporations
- **Fake news sites** are new competitors, too
- **Ad-Blockers**

**EFFECTS**

- Cost cutting measures
- Sponsored content, native advertising
- Collaboration with social media networks

- Decrease in quality content
- Loss of credibility / trust
Reaction to new threats to traditional media

NATIVE ADVERTISING

According to a survey by the International News Media Association (156 media outlets in 48 countries)

- Revenues from native advertising reached 11% of total advertising revenues in 2015
- Expected to raise to 25% in 2018
### Reaction to new threats to traditional media

<table>
<thead>
<tr>
<th>OUTSOURCED (Advertisers – Agency or Company)</th>
<th>IN-HOUSE</th>
<th>NATIVE ADVERTISING at Forbes</th>
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</thead>
<tbody>
<tr>
<td>Huffington Post (Brand Page)</td>
<td></td>
<td>• Through BrandVoice</td>
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<tr>
<td>Forbes AdVoice</td>
<td></td>
<td>• 2\textsuperscript{nd} revenue source, reaching 30% of its revenues in 2016</td>
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<tr>
<td>Washington Post’s BrandConnect</td>
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</table>

#### Journalists
- Mashable
- Mental Floss

#### Marketing Team or Freelancers
- BuzzFeed’s Creative Team
- Atlantic Media
- Fortune Trusted Original Content (freelancers)
- Quartz Advertising Division
- Forbes Brand newsroom
- New York Times – Internal Content Studio (freelancers)
- Le Monde (régie + external providers)
Reaction to new threats to traditional media

### How do you provide native advertising solutions?

The most popular ways to provide native advertising are in-house through either the editorial team (42%), in-house native ad studio (33%), or separate native ad team (28%).

<table>
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<th>Solution</th>
<th>Percentage</th>
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<tr>
<td>Editorial team</td>
<td>42%</td>
</tr>
<tr>
<td>Own native ad studio</td>
<td>33%</td>
</tr>
<tr>
<td>Separate native ad team</td>
<td>28%</td>
</tr>
<tr>
<td>External agency partner</td>
<td>26%</td>
</tr>
<tr>
<td>Advertiser’s agencies</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
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</tbody>
</table>

### How do you price native advertising vs. traditional advertising?

- **65%** of news media publishers charge more for native advertising.
- **16%** charge less for native advertising than for traditional advertising.
Reaction to new threats to traditional media

NATIVE ADVERTISING

CASE STUDY

Quartz on year 5 of Bank of America campaign

Quartz, a New York-based, online-only magazine focused on world events and lifestyle topics, is mainly financed by native advertising and events.

Quartz, owned by Atlantic Media, has produced a native advertising campaign for Bank of America each January since 2013, focusing on coverage of key topics discussed at the World Economic Forum’s annual meeting in Davos, Switzerland. The company has renewed the campaign for 2017.

How can Africa make the most of its demographic dividend?

This article is published in collaboration with Quartz Africa.

Over the last five years, Africa has seen the highest rate of population growth at about 2.5% annually and by 2050 a quarter of the world’s population will be on the continent.

Put another way, of the 2.4 billion new people on the planet by 2050, 1.3 billion of them will come from the continent, based on data from the UN World Population Prospects (pdf).

Africa will have the second largest population by 2050.
The 2015 campaign won first place in INMA’s 2016 Global Media Awards competition for its high-quality content.

Bank of America reached Quartz’s affluent and influential, globally minded audience of about 16.8 million unique visitors in December 2015.
Facebook reached $ 6.8 Billion in Q3 2016, Up from $ 4.3 billion in Q3 2015
Reaction to new threats to traditional media

Newspapers collaborate with social media: FB Instant Articles Program

- FB controls algorythm
- FB will propose stronger collaboration for local news, to train readers avoid hoaxes, let news firms post their own branded content
- Still, risk of cannibalization
Role and responsibility of multinational technology companies
Role and responsibility of new multinational digital companies

PROFIT MARGINS OF MULTINATIONAL TECHNOLOGY COMPANIES

- **Facebook** Profit Margin (Quarterly): 48.51% for Dec. 31, 2016 (20% average last 5 years)
- **Alphabet** Profit Margin (Quarterly): 20.46% for Dec. 31, 2016 (22% average past 5 years)
- **Apple** Profit Margin (Quarterly): 22.83% for Dec. 31, 2016 (average past 5 years)

APPLE Employee Recruiting Video

https://www.youtube.com/watch?v=X9SK052cF3c
Apple ordered to pay €13bn after EU rules Ireland broke state aid laws

European commission says Apple got illegal help with tax breaks but CEO Tim Cook says ruling threatens investment in Europe

Apple has warned that future investment by multinationals in Europe could be hit after it was ordered to pay a record-breaking €13bn (£11bn) in back taxes to Ireland.

The world’s largest company was presented with the huge bill after the European commission ruled that a sweetheart tax deal between Apple and the Irish tax authorities amounted to illegal state aid.

The commission said the deal allowed Apple to pay a maximum tax rate of just 1%. In 2014, the tech firm paid tax at just 0.005%. The usual rate of corporation tax in Ireland is 12.5%.
Role and responsibility of new multinational digital companies

Technology breakthroughs were almost completely dependent on government-sponsored research.

“While Apple products owe their beautiful design and slick integration to the genius of Jobs and his large team,” writes Mazzucato, “nearly every state-of-the-art technology found in the iPod, iPhone and iPad is an often overlooked and ignored achievement of the research efforts and funding support of the government and military” (Mazzucato, Mariana: The Entrepreneurial State, Anthem Press 2013).

Both government research and entrepreneurial capital are necessary conditions for the advance of commercial innovation. But the consensus among many economists and politicians doesn’t seem to acknowledge an equal role for government.
Takeaways and outlook

Some steps

• Amazon invested and acquired the Washington Post (now profitable and hiring journalists)
• Bill and Melinda Gates Foundation is investing in Le Monde Afrique and other media projects
• Google is funding journalism and research scholarships
• Google is further financing a media innovation fund in France
• Facebook launched the Internet.org initiative + is helping news media diffuse their content

Other suggestions

• Mazzucato proposes the state to become more entrepreneurial, invest; however also to ask tax returns
• Media scholars propose other measures
• Governments are already taking some support measures to help the digital transition
Bibliography