Globalization, new ICT and Media

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March 25, 2020

Guest lecture at the University of Zurich within the course
“Globalisierung und Multinationale Unternehmen”
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 and reactions
- 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>20(^{th}) Century</th>
<th>21(^{st}) Century</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible flows of <strong>physical goods</strong></td>
<td>Intangible flows of <strong>data and information</strong></td>
</tr>
<tr>
<td>Flows mainly between advanced economies</td>
<td>Greater participation by emerging economies</td>
</tr>
<tr>
<td><strong>Capital and labor</strong> intensive flows</td>
<td>More <strong>knowledge</strong> intensive flows</td>
</tr>
<tr>
<td><strong>Transportation infrastructure</strong> is critical</td>
<td><strong>Digital infrastructure</strong> equally important</td>
</tr>
<tr>
<td><strong>Multinational</strong> companies drive the flow</td>
<td><strong>Small firms &amp; individuals</strong> can play a role, too</td>
</tr>
<tr>
<td>Flow of mainly monetized transactions</td>
<td>More exchange of free content and services</td>
</tr>
<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>
</tr>
</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.

**Used cross-border bandwidth**

<table>
<thead>
<tr>
<th>Regions</th>
<th>NA United States and Canada</th>
<th>EU Europe</th>
<th>AS Asia</th>
<th>LA Latin America</th>
<th>ME Middle East</th>
<th>AF Africa</th>
<th>OC Oceania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bandwidth</td>
<td>Gigabits per second (Gbps)</td>
<td>&lt;50</td>
<td>50-100</td>
<td>100-500</td>
<td>500-1,000</td>
<td>1,000-5,000</td>
<td>5,000-20,000</td>
</tr>
</tbody>
</table>

**2005**

100% = 4.7 Terabits per second (Tbps)

**2014**

100% = 211.3 Tbps

45x larger

NOTE: Lines represent interregional bandwidth (e.g., between Europe and North America) but exclude intraregional cross-border bandwidth (e.g., connecting European nations with one another).

SOURCE: TeleGeography, Global Internet Geography; McKinsey Global Institute analysis
New global era

A small group of leading countries are much more connected than the rest of the world

HOWEVER

After 2 decades in which INT COMM far outpaced DOMESTIC COMM, available measures suggest a possible slowdown: Recent international growth appears to have only modestly exceeded domestic growth.
New global era

Development of Global Connectedness since 2001

DHL GLOBAL CONNECTEDNESS INDEX – 2019 UPDATE

THE RECENT DECLINE IN GLOBALIZATION REMAINS LIMITED

Depth measures the proportion of flows (and accumulated stocks) that cross national borders.

Breadth captures the geographical distribution of international flows (and stocks).

#DHLGCI
For more information visit: logistics.dhl/gci
New global era

Development of Global Connectedness since 2001

DHL GLOBAL CONNECTEDNESS INDEX – 2019 UPDATE

GLOBALIZATION IS HOLDING UP UNDER PRESSURE

Trade, capital, information and people flows have mostly remained resilient.

- **Information**: Information flows have globalized rapidly, but there are signs that this trend may have slowed in recent years.
- **People**: Flows of tourists, university students and migrants all continue to intensify.
- **Trade**: Trade growth outpaced global economic growth in 2017 and 2018.
- **Capital**: The capital pillar was the largest contributor both the expansion in global connectedness in 2017 and its decline in 2018.

#DHLGCI
For more information visit: logistics.dhl/gci
New global era

Many countries are starting to block data flows
New global era

Many countries are starting to block data flows
Many countries are starting to block data flows. They are making it more expensive and time consuming, if not illegal, to transfer data overseas. This reduces economic growth and undercuts social value:

- Decrease of U.S. GDP by 0.1-0.36 %
- Increase in prices for some cloud services in Brazil and the European Union from 10.5 to 54 %
- Decrease of GDP by 0.7 to 1.7 % in Brazil, China, EU, India, Indonesia, Korea, Vietnam (they have all either proposed or enacted data localization policies)
Digitalization
&
The new media landscape
Digitalization and impact on the media industry

Digitization

- 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**

1. New opportunities for new media actors
2. New threats for traditional media companies
1. New opportunities for the media industry …

- Non-profit organizations such as Wikileaks, International Consortium of Investigative Journalism (ICIJ) …
- Pure players: Huffington Post, Buzzfeed, ProPublica, Mediapart …
Huffington Post

Founded in 2005, bought by AOL in 2011 for $315ML

(AOL itself was bought by Verizon Communications in 2015 for $4.4 billion)
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
- >100 journalists + publications in collaboration with traditional media
- Various Pulitzer prices
- Funded by philanthropic donations, even though they accept advertising and consider selling of data
Pro Publica and Mediapart, investigative journalism

Mediapart

- Independent and participatory online newspaper
- Founded in 2008 by Edwy Plenel, Bonnet, Desportes, Mauduit
- About 87 permanent employees (47 journalists)
- Profitable from 2011, now has Euro 16.8 ML of revenues (+21% growth compared to 2018) and 2.3 ML of net profits, +/-170'000 subscriptions
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
New opportunities for **Content Aggregators**

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**Reddit, Flipboard …**

**Blendle**

The online news kiosk

Launched in 2014
- Not profitable in 2019 yet
- Change of Business Model (from article micropayments to premium subscriptions)

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Die beliebtesten Titel auf Blendle

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In Switzerland

Watson.ch

2014

- Hansi Voigt, previous editor in chief at 20 minutes
- 1.8 ML unique clients in 2018
In Switzerland

2017

- Jacques Pilet & al. after closing down of L’Hebdo
- CHF 230’000 of crowdfunding
In Switzerland

Constantin Seibt, ex TA

3,5 ML from investors + crowdfunding

Objective: reach 22,000 subscribers in 5 years
Pour Heidi.news, l’aventure commence aujourd’hui.

Nous préparons un nouveau média qui sera lancé à Genève au printemps 2019.

2019

- Serge Michel, ex Le Monde
- Investors + crowdfunding
- Subscription based
Other 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, Whatsapp, Instagram …
Other 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, **Whatsapp**, Instagram …
  
  • Founded in **2009**
  • Bought by Facebook in **2014** for **$ 19 Billions**
  • 1.5 billion users
Other opportunities within the media industry … Whatsapp
The biggest online platforms have user data bases equal to the population of the world’s biggest countries.
The biggest online platforms have user data bases equal to the population of the world's biggest countries.
Use of social media for news in Switzerland

Darstellung 4: Schweiz – Nutzung von Social-Media-Plattformen
Use of social media for news

PROPORTION THAT USED EACH SOCIAL NETWORK FOR NEWS IN THE LAST WEEK (2014–18)

Selected markets
- Snapchat
- Twitter
- WhatsApp
- Instagram
- FB Messenger
- Facebook

Q12B. Which, if any, of the following have you used for finding, reading, watching, sharing, or discussing news in the last week?

Base: Total sample in selected markets

Note: From 2015–18, the 12 markets included are UK, US, Germany, France, Spain, Italy, Ireland, Denmark, Finland, Japan, Australia, Brazil. In 2014, we did not poll in Australia or Ireland.
### Use of social media for news

#### PROPORTION THAT USED FACEBOOK AS A SOURCE OF NEWS IN LAST WEEK – SELECTED MARKETS

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>Change from 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>39%</td>
<td>(-9)</td>
</tr>
<tr>
<td>UK</td>
<td>27%</td>
<td>(-2)</td>
</tr>
<tr>
<td>Germany</td>
<td>24%</td>
<td>(-1)</td>
</tr>
<tr>
<td>France</td>
<td>41%</td>
<td>(-2)</td>
</tr>
<tr>
<td>Italy</td>
<td>51%</td>
<td>(-)</td>
</tr>
<tr>
<td>Spain</td>
<td>48%</td>
<td>(+1)</td>
</tr>
<tr>
<td>Ireland</td>
<td>38%</td>
<td>(-3)</td>
</tr>
<tr>
<td>Norway</td>
<td>40%</td>
<td>(-1)</td>
</tr>
<tr>
<td>Sweden</td>
<td>36%</td>
<td>(-)</td>
</tr>
<tr>
<td>Finland</td>
<td>33%</td>
<td>(-2)</td>
</tr>
<tr>
<td>Denmark</td>
<td>34%</td>
<td>(-5)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>29%</td>
<td>(-3)</td>
</tr>
</tbody>
</table>
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

Corporate brands become media themselves
New opportunities for Corporations

Coca Cola 2011
New opportunities for Corporations

Red Bull Media House
New opportunities for Corporations

Red Bull Media House

TAG Heuer
Official Timekeeping partner
2. New threats for traditional media
2. New threats for traditional media

**THREATS**

- With new ICT *fragmentation of audiences*, disruption of business models
- **New competitors:**
  - Technology companies
  - new pure players
  - multinational corporations
- Fake news sites
- Ad-Blockers

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**EFFECTS**

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

- Decrease in quality content
- Loss of credibility / trust
2. New threats for traditional media

- Fragmentation of audiences
- Disruption of business models
- New competitors:
  - Technology companies
  - New pure players
  - Multinational corporations
  - Fake news sites
  - Ad-blockers

EFFECTS

- Cost cutting measures
- Sponsored content, native advertising
- Collaboration with social media networks
- Decrease in quality content
- Loss of credibility / trust
2. New threats for traditional media

PROPORTION THAT SAY THEY TRUST NEWS FROM EACH SOURCE

All markets

- **Trust news overall**: 44% (+1)
- **Trust news I use**: 51% (+2)
- **Trust news in search**: 34%
- **Trust news in social**: 23%

Q6_2018_1/2/3/4. Please indicate your level of agreement with the following statements. I think you can trust ‘most news’/’news I consume’/’news in social media’/’news in search engines’ most of the time.

*Base: Total sample in all markets = 74194.*
NATIVE ADVERTISING

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

- Native advertising revenues: 11% in 2015, expected 32% in 2020 (74% in the US)
- Native ad spending over total budget: 10% in 2015, expected 29% by 2020
Bank of America reached Quartz’s influential, global minded audience of about 16.8 million unique visitors in December 2015.

Native Ad counts for 90% of revenues
Share of social media advertising expenditure as % of digital advertising WW

Reaction to new threats to traditional media
Social media ad spend to surpass print for first time

Social media will own 13% of global ad spend in 2019, according to a Zenith forecast.

Amy Gesenhues on October 14, 2019 at 2:27 pm

Zenith, a media agency owned by Publicis Media, predicts global social media ad spend will grow 20% this year, reaching $84 billion. According to Zenith’s data, social media advertising will account for 13% of total global ad spend and rank as the third-largest advertising channel, behind TV and paid search.

2019 will be the first year that social media ad spend outperforms print ad spend, says Zenith, with newspaper and magazine ads generating less than $69 billion this year.
Reaction to new threats to traditional media

Newspapers collaborate with social media: **FB Instant Articles Program**

- **Pathways to news: Branded 45%, social 30%**
  (Digital News Report 2016, RISJ)
Reaction to new threats to traditional media

Newspapers collaborate with social media: FB Instant Articles Program

FB controls algorithm

PROPORTION OF REFERRALS TO NEWS WEBSITES FROM FACEBOOK (FEB 2017–MAR 2018)

Source: Parsely

Based on share of referrers attributed to Facebook across 2500 publishers across countries within the Parsely network.
Reaction to new threats to traditional media

- Newspapers collaborate with social media: Facebook goes LOCAL

- Local news, training readers to avoid hoaxes, let news firms post their own branded content

- Still, risk of cannibalization

Facebook is committing $300 million to support news, with an emphasis on local

Campbell Brown: “We are going to continue our work with head publishers. We’re not backing away from that, but it is a shift to local and an emphasis on local that is new for us.”

By CHRISTINE SCHMIDT @newlyschmidt Jan 15, 2019, 6 a.m.
Reaction to new threats to traditional media

- Newspapers collaborate with social media: Google & Newspack
  - 1.2 ML from Google & 2 partners
  - 1 ML from other institutions

To help small newspapers run their sites with WordPress
Reaction to new threats to traditional media

- Newspapers collaborate with social media ...
- Or maybe not?

- March 25, 2019
- Launch of Apple News, a new entertainment and paid digital news service (as response to video leader Netflix)
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): 34% for Dec. 31, 2019 (32% last year)
- **Alphabet** Profit Margin (Quarterly): 23% for Dec. 31, 2019
- **Apple** Profit Margin (Quarterly): 38% for Dec. 31, 2019 (average past 5 years)
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%.
Google / Alphabet

- EU regulation says that in order to be taxed you need to have a stable organization
- Even with 3000 employees present in the country, Google managed to prove that true value creation happens in Ireland and California, not in the UK
- Settlement with the government for a payment of Euro 170’000.- for the period 2005-2015

- Already paid 7 Billion in fines, will be fined again next week by the EU
A critical perspective

Facebook

$5 Billion fine approved by FTC

"The F.T.C. just gave Facebook a Christmas present five months early," Representative David Cicilline, Democrat from Rhode Island, said in a statement. "It's very disappointing that such an enormously powerful company that engaged in such serious misconduct is getting a slap on the wrist."

Senator Richard Blumenthal, Democrat of Connecticut, said in an interview that meaningful enforcement of Facebook would have included deep structural reforms. Without that, he said, "the message to the world is that, sadly, American consumer privacy protection is a hollow paper tiger, which is deeply disappointing."

Despite all the criticism of the company, it has continued to do well financially. The social network reaped more than $50 billion in revenue in 2018—10 times the amount of the fine approved by the commission—as the digital advertising industry has consolidated to increasingly drive dollars to a handful of tech companies.

In April, Facebook reported a record first quarter of revenue of nearly $15 billion. And the company is sitting on more than $40 billion in cash reserves."
A critical perspective

Facebook, Fake News and data privacy
Coronavirus: Facebook, Amazon et Google sont des pompiers pyromanes


Merci. Bravo pour les efforts consentis. Vous faites un travail admirable en ces temps de crise et vous contribuez à la lutte contre cette pandémie.
WhatsApp, piégé par le virus et inondé de fake news

Le service de messagerie tente de lutter contre les fausses informations. Avec peu de résultats.

Merci. Bravo pour les efforts admiraux en ces temps de pandémie.
ELON MUSK’s OpenAI

His company declines to release research publicly for fear of misuse
Takeaways and outlook

• Globalization is being strongly impacted by digitalization
• Digitalization and globalization have an enormous impact on the media industry
• New competitors, digital transition difficult for traditional media
• Social media and multinational technology firms in general are dominating the scene
• Their role can mine the pluralistic media system as we know it, and are hardly taking responsibility
• Governments need to act
• Some measures are being taken to help the digital transition of traditional media firms (see France)
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

Outlook
- Media scholars point out that content taxes have also potential pitfalls
  - (a) Easily passed on to consumers, and (b) if introduced only in Europe we end up subsidizing non-European users
- Research is needed in the field
Bibliography

Dal Zotto C. and Matteo S. (2015), *Native advertising, or how to stretch editorial to sponsored content within a transmedia branding era*. In: Siegert G. et al., *Handbook of media branding*, Springer.


