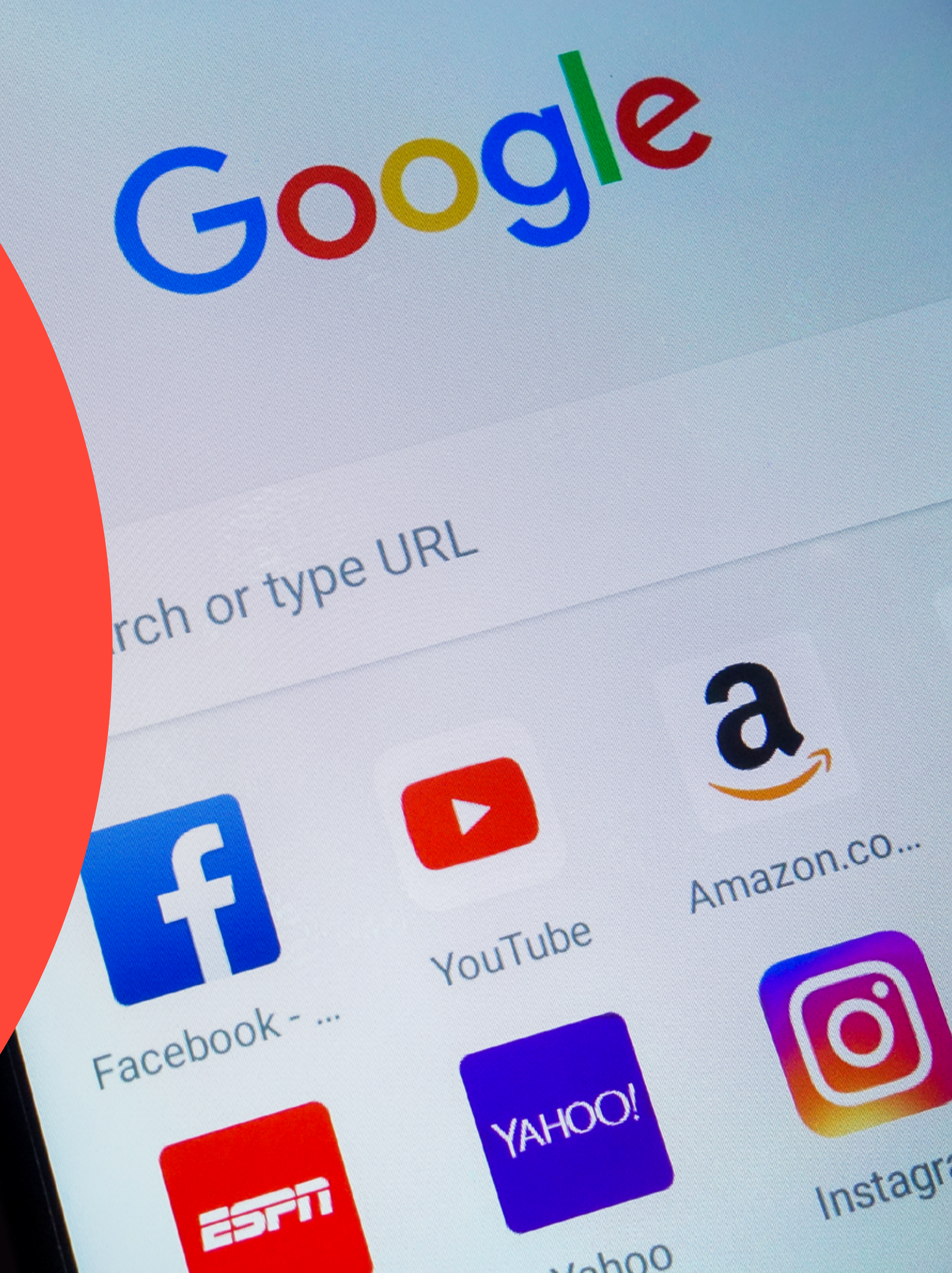
MAY 2021

BIG TECH AND YOU

What's a poor publisher to do?
Stop whining and start fighting.
Stop demonising and start collaborating.
Stop looking backwards and start innovating.
Stop scapegoating and start exploiting.



FIPP
Connecting
Global Media

Contents

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INTRODUCTION

A giant maze

In our regular presentations on media trends, we describe the business of content distribution and monetisation as a maze where every turn is blocked by just two companies. The truth is that, for most publishers, Google and Facebook are probably the two businesses that can have the largest impact on their revenue, controlling the largest number of both eyeballs and ad dollars.

Their control of search, sharing and digital advertising is unparalleled, and our industry has adopted a wide range of strategies in facing up to the challenge of dealing with technology companies that are as big as any that has ever existed.

This paper is our comprehensive survey of these strategies, drawn from interviews with a wide range of industry players on all sides of the debate, including the platforms themselves. In this paper, we are not falling down on one side or the other – although we'll be making our views known in an opinion piece to accompany it.

Instead we're providing the broadest possible view of the different approaches that publishers, platforms and legislators are taking to the relationship between Big Tech and the media. As publishers have taken different courses of action in this debate, so will each of you draw your own conclusions about the best way forward for you.

My thanks go to author John Wilpers and to all those who contributed to this paper. It's encouraging to see such healthy and passionate debate about such an important issue. I hope you find this paper useful and, as ever, we would love to hear your thoughts.

James Hewes

President & CEO, FIPP

EXECUTIVE SUMMARY

Can we transition from combatants to collaborators?

When power shifts, things get ugly. When power shifts because of a seismic disruption in an industry business model, that's a double whammy.

In double whammies, a lot of companies and people get hurt.

The media industry's double whammy started with the arrival of Big Tech (it didn't seem so big at the time) followed by the collapse of print circulation and the advertising-based business model.

There's no need to rehash the bloody body count; we all lived through it and lost money, staff, jobs, publications, and friends.

The ironic thing about this particular double whammy, however, was the unlikely partnership that came out of it: Media and Big Tech, the "enemy" whose arrival triggered the shifts. Both learned that they needed each other.

But this "unavoidable partnership" between Big Tech and media that once appeared to be a fair trade within a balance of power — content for exposure — has degenerated into what many in media insist is an existential threat to the media's very existence.

A troubled relationship

That said, the relationship isn't entirely negative. We get love (traffic, exposure, revenue). But we also get abuse (content that generates revenue taken without

Zachary Block
Condé Nast

compensation, mysterious algorithms, data secrecy, privacy abuses, ad stack monopoly, etc.).

Like frogs in a slowly heating pot, many in media initially felt the warmth … but not the danger.

Tenuous partners turned antagonists

Advertising revenue has been monopolised, consumer access tightly and secretly controlled, data collected but not shared, and our

Four schools of thought

AFTER INTERVIEWING almost two dozen media executives, we have identified four schools of thought regarding the Big Tech-media relationship. All publishers seem to hold at least one of these four views:

1. Big Tech are abusive anti-trust monopolies
2. Big Tech are brazen copyright violators
3. Big Tech are systems we should reform while continuing to work with them to our advantage
4. Big Tech isn't the primary problem; it's us. Stop whining and innovate your way to the future like they did

Those schools of thought directly influence the actions publishers and media associations are taking in the face of the assault on our business models and products.

In this paper, we will examine each school of thought. Each of them is influenced by the inescapable truth: "These companies [Big Tech] are the most important gatekeepers for the vast majority of audiences. But it is content that drives the demand for the service.

"To have a business at all, Big Tech needs good content. So it's important for us to have good relationships with them … but we must be compensated fairly for it," said Zachary Block, Condé Nast SVP for Global Business Development and Partnerships.

expensive high-quality content taken to drive Big Tech's revenue with little or no return to us.

At the same time, there are those in media who say, "shame on us" for missing the tectonic shift in the information industry and now, instead of innovating for the future, we are wasting time and resources looking for bail-out money.

A global push to curb Big Tech

Perhaps the most common media industry strategy around the world has been to lobby for legislation and regulations to reform what they see as abusive, monopolistic practices.

Meanwhile, some large media companies have cut content deals for themselves, while others enjoy what they say are profitable relationships with Big Tech.

Legislative solutions

INSPIRED BY successful government action in Australia, France, and the EU, legislation has been enacted or is being debated in governments around the world to:

- Enforce compensation for the use of content
- Open up the secret advertising tech stack and ad selection process
- Make the content algorithms transparent
- Restrict the collection and use of private data
- Create taxes to fund a pool of money to be shared by publishers
- End Google's near-monopoly of the digital advertising marketplace
- Make tech platforms responsible for the content they publish

In this paper, we look at legislative options as well as what you can do to protect and grow your business model and assets. Your options for action are as complicated as the relationship with Big Tech.

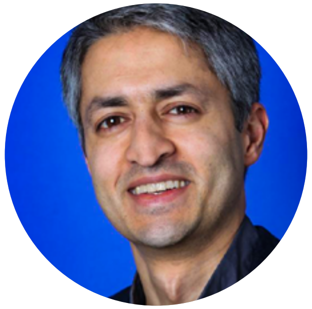
These options might sound contradictory, but, based on interviews with almost two dozen media executives around the world, each option is being dynamicaly pursued by publishers today.

Changes are already happening. Both Google and Facebook have each launched news channels where they are now paying media companies for content, albeit a small number of publishers chosen by the platforms at rates that some say are below their content syndication rates while others say the rates are not out of line.

We can't be supine mendicants

The content deal in Australia between News Corp and Facebook will have a "material and meaningful impact" on its business there, said CEO Robert Thomson.

"Rupert and Lachlan Murdoch led a global debate while others in our industry were silent or supine as digital dysfunctionality threatened to turn journalism into a mendicant order," he added.



Madhav Chinnappa
Google News Ecosystem

Google's Director of News Ecosystem Development Madhav Chinnappa pointed out that these content payment deals are not the first time that Google has paid for content.

"Google has paid for content where the journey stops at Google like audio content, and we drive billions of dollars of value through the traffic we send publishers, more than 24 billion clicks per month."

What you can do

- Fight *and* embrace Big Tech
- Lobby against them while negotiating with them
- Create innovative systems while using theirs
- Exploit the existing system while working to reform it

But even Big Tech's harshest critics admit that solving this problem won't solve the bigger problem:

"The deals won't resolve the fundamental business model challenge; there won't be enough money on the table to solve the business model challenges we face," said Condé Nast's Block.

POSSIBLE SOLUTIONS

A titanic death struggle or rocky road to co-existence?

At the end of the day, it's a power problem. "It is a story about what happens when power shifts," wrote Robert Whitehead in "How to Decode the Publisher-Platform Relationship", a white paper he authored for the International News Media Association (INMA). "Media companies cannot live without the Googles, Facebooks, and, lesser so, the Apples or Amazons. But the reverse, if ever true, is unacknowledged."

From the media industry perspective, few have framed the problem as frankly and forcefully and, perhaps, radically as Ralph Büchi, Chairman of the Supervisory Board of Berlin-based Axel Springer:

Ralph Büchi,
Axel Springer

Calling out monopolistic practices

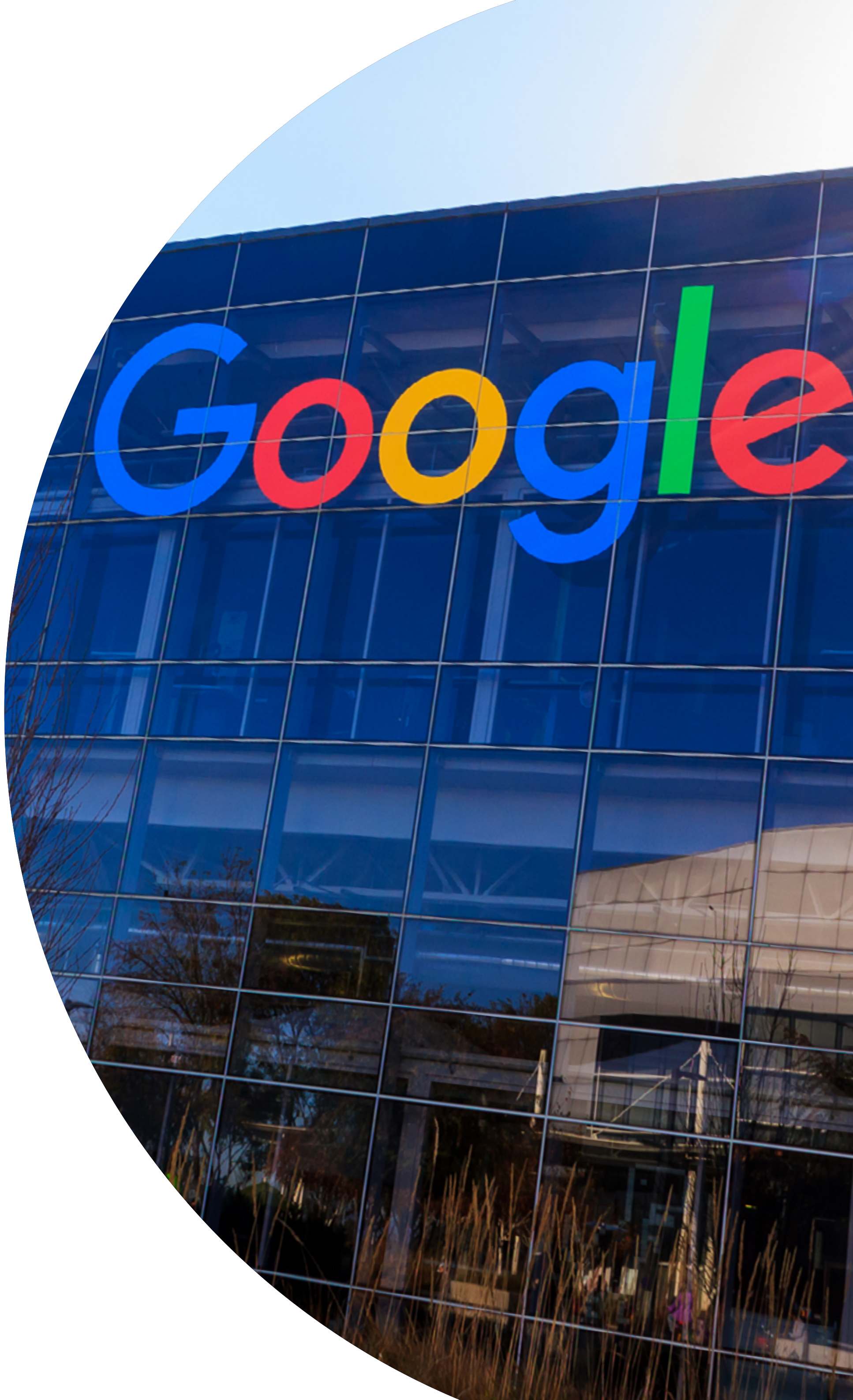
"With great concern, we see that a few digital gatekeeper platforms dominate globally the distribution of digital journalism," Büchi wrote to us. "This is the case for search engines, advertising services, video-sharing, browsers and mobile operating systems, but also social networks and instant messaging services.

"Only a few companies have secured permanent and exclusive access to a vast majority of citizens by establishing and enjoying quasi-monopolies in key areas of our digital daily lives.

"Those global players are using their monopoly power for a free ride on the editorial journalistic content, undermining the ability of small and large publishing houses to independently refinance themselves through content distribution, advertising revenues, and classifieds.

A complete distortion of value creation

"Furthermore, the lack of transparency by the gatekeepers about both the selection process and ranking of results, the favouring of their own or other services and the discrimination of other services and products needs to end.



“Only a few companies have secured permanent and exclusive access to a vast majority of citizens by establishing and enjoying quasi-monopolies in key areas of our digital daily lives.”
Ralph Büchi, Axel Springer

“This development has led to a complete distortion of value creation, to the detriment of media pluralism, not only in Europe but also across the globe,” Büchi wrote.

Not so, says Google. “Some people portray this as a titanic struggle between ‘Big Tech’ on one side and plucky news organisations (or in some cases ‘Big Media’) on the other,” said Google’s Chinnappa. “This is misleading at best.”

Media must reinvent itself

“The truth is the business model for news that worked 40 years ago is facing enormous challenges today,” said Google VP/News Richard Gingras in a recent statement.

“News businesses are having to reinvent themselves. As a company with a mission focused on making information universally accessible, we are invested in helping journalism not only survive, but thrive.

“The value of news to Google is about informing and educating, not economics. Nearly all of our revenue comes not from news queries, but from queries with commercial intent, like someone searching for a new ‘toaster’.

“We compensate publishers fairly in a number of different ways. Sending people to publishers’ news sites is a key way we provide value. Every month we send users to news sites 24 billion times, providing an opportunity for publishers to grow their audiences and show [them] ads or offers for subscriptions.

Publishers have always had control

“We also invest in ad technologies that thousands of news publishers around the world choose to use to grow their digital advertising businesses. [A review of] 100 news publishers globally [showed] publishers keep over 95% of the digital advertising revenue they generate."

(Google also recently set aside $1B to pay publishers over three years to license their content for Google News Showcase.)

"Publishers have always been able to control if and how they want to appear on Google Search, and fine-grained settings allow them to optimise the value they get from Search.

What Google wants

"We want to be both part of the conversation and the solution," Gingras said.

So, the sides are set. Let's get into the details. For the purposes of this paper, we are going to focus solely on the media industry's business relationship problems with Big Tech and solely on Google and Facebook. As important as they are, we must leave privacy, data, fake news, and other issues as well as Amazon, Apple, Microsoft and others for another day.

We are also limiting our focus to 'western internet' — not the 'Asian internet' where the picture is slightly different, and not the impact of firms like Alibaba or Tencent. Those are topics for another day.

EDITOR'S NOTE:
For this paper, we interviewed nearly two dozen media executives, of whom three were female and five people of colour. Nineteen other executives were approached — they either did not reply to multiple emails or declined to be interviewed. Of those 19, nine were female.

We are always looking for diverse points of view, especially from women and people of colour. If you would like to be on our call list of thought leaders or 'thought provokers', please contact FIPP Editor Sylkia Cartagena at: sylkia@fipp.com.

BACKGROUND

Big Tech's explosive growth: achievement, abuse, and potential

TWENTY-five years ago, neither Facebook nor Google existed. Today, they are among the top five richest companies in the world.

Google started in 1996 when two Stanford students converted a dorm room into a machine lab and created a search algorithm called Back Rub. This morphed into Google in 1998.

Then, in a step that would explode into one of today's hottest Big Tech-media issues, they launched a news aggregator in 2002.

Google News has gone on to become "the world's largest news aggregator", according to a 2020 Rutgers University paper.

Some Big Tech critics call it the world's largest ongoing asset thievery.

A disturbing glimpse into what was to come

Facebook was also born in a dorm room, this one a continent away at Harvard in 2003.

It started as Facemash, a website where students could engage in the low-brow practice of rating the looks of other students — and in a disturbing foreshadowing of what was to come, 450 students cast 22,000 beauty votes.

Facemash became Facebook in January 2004. Just six months later, Facebook had more than a quarter of a million student members from 34 schools, and major corporations, including MasterCard, were paying for exposure on the site.

The rest, as they say, is history.

Equivalent to the world's third-largest economy

Together, Google, Facebook, and the eight other largest tech firms in the world have become gatekeepers in commerce, finance, entertainment and communications with a combined market capitalisation of more than US $10 trillion.

In gross domestic product terms, that $10 trillion would rank them as the world's third-largest economy, according to the New York Times.

But wealth is not the problem. Power is.

Or to put it more precisely, the dramatic loss of power by one party and the dramatic acquisition of power and the perceived abuse of that power by a second party.

An almighty industry falls to a mightier one

"It is a story of a once-almighty business sector being redefined and relegated by an even mightier one," wrote Whitehead for INMA. "It is a rebalancing that casts either sunlight or shadow over the relationship — filling some news media publishers with positivity and promise and others with existential despondence."

Our outrage and despondence, however, come partially from a self-inflicted wound, a condition directly related to our dismissive attitude toward tech in its early days and our glacial pace of strategic response.

We got too comfortable

Just 30 years ago, our dominance of our markets seemed unassailable.

"We are an industry that failed to invest in itself and to look over the horizon to see what was coming and by the time we saw it, we lacked the agility to respond."
Lorna Willis, Archant

We owned the media sandbox. We made anyone who wanted to play in the communications game play in our sandbox.

Unfortunately, we weren't paying close attention to some smart-ass kids who were building a better sandbox. In what seemed to us like the blink of an eye (it wasn't), everyone went to play in their sandbox. We were gobsmacked.

"While all this human progress was happening at fibre-like speed, the underlying media story has turned out to be more like the boiling frog syndrome — not many were wise to what was happening when it was happening," wrote INMA's Whitehead.

Lorna Willis
Archant Media

Pigeons learn faster

"Facebook didn't come around yesterday," said Archant CEO Lorna Willis. "We've seen this coming for a while. I mean pigeons learn faster.

"What we're seeing is the result of two decades of hesitancy, lack of investment, lack of accountability, and misunderstanding of what was happening and what needed to happen," said Willis.

"That's not Google's fault. That's not Facebook's fault. We are an industry that failed to invest in itself and to look over the horizon to see what was coming, and by the time we saw it, we lacked the agility to respond."

We now face a challenge we haven't faced in more than a century.

No monopoly like it since the late 19th century

"Facebook and Google occupy an unprecedented political role," wrote Fordham Law School Associate Professor Zephyr Teachout, author of Break 'Em Up: Recovering Our Freedom From Big Ag, Big Tech, and Big Money.

"The closest we've come in America is the telegraph monopoly in the late 19th century, when the Associated Press and Western Union joined forces to control the news and the network through which it travelled," Teachout wrote in The Atlantic.

"Facebook and Google are each like that monopoly, but combined with the surveillance regimes of authoritarian states, and the addiction business model of cigarettes.

"Not only do they control discourse, surveil citizens, and make money from incentivising paranoia, hatred, and lies, but they also make money by keeping the public addicted to their services," wrote Teachout.

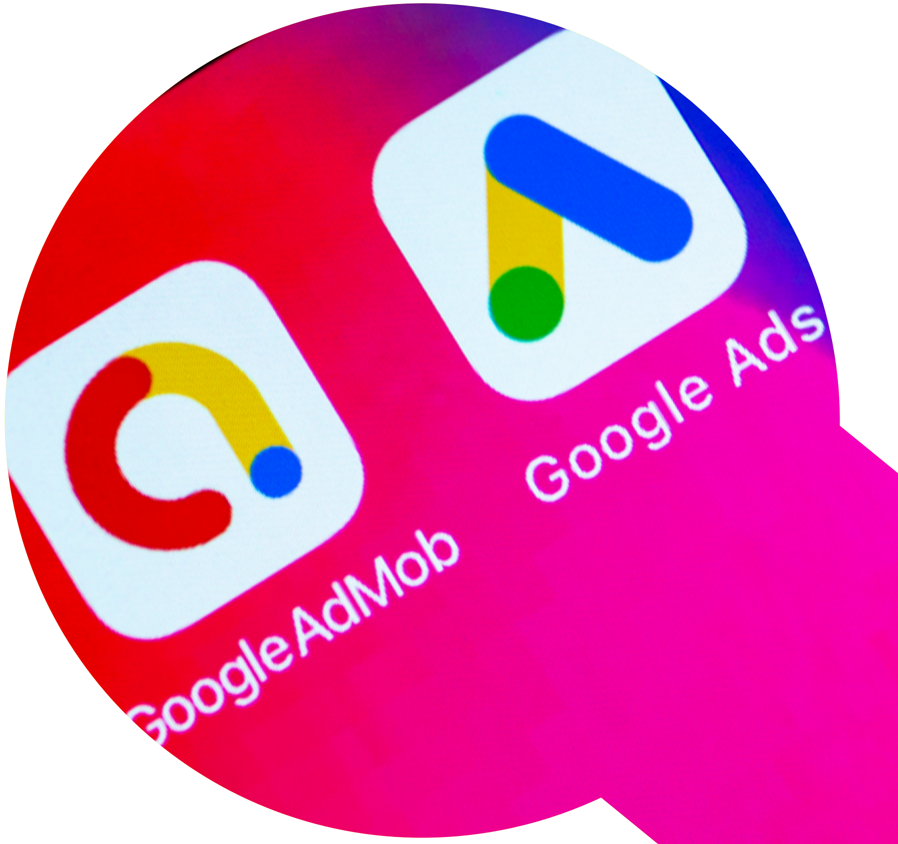
Under the control of a few CEOs

"Traditional news organisations are dependent on them, and their profit stream takes directly from those traditional organisations," wrote Teachout. "A few corporate CEOs decide the shape of modern thought and have become America's de facto commissioners of information."

Not surprisingly, Big Tech doesn't see it that way.

While Big Tech acknowledges issues with its impact on media company advertising revenues and has launched programmes to support journalism and cut deals with publishers to pay for content, it does not agree that the problem is so severe as to necessitate antitrust legislation.

Let's take a look at the issues broken down into the problems identified by the four schools of thought mentioned earlier:



PROBLEMS #1 and #2

Big Tech are anti-trust monopolies and thieves of valuable, expensively produced content

When online, a consumer would be hard-pressed to avoid using one of Big Tech's services. The 'duopoly' of Facebook and Google has become an essential gateway for accessing and disseminating information.

More than 90% of the world uses Google Search, and Google's Android software backs at least three of every four of the world's smartphones, according to the Internet Health Report.

Google also controls nearly 70% of the online ad tech market, a

David Chavern
News Media Alliance

dominance that results in Google bringing in 37% of all online advertising revenue in the U.S., according to eMarketer. Google doesn't provide market share figures but said that in the past year, news-related queries on Search accounted for less than 2% of total queries on Google Search globally.

Google's dominance also allows the company to collect the data of the millions of users who search for news content via the platform — data that the publishers responsible for that news content are unable to access or benefit from, according to the News Media Alliance.

Continuing to increase their dominance

"After many years, Bing remains dwarfed by Google as a search engine, and when it comes to social media, Facebook owns three of the four biggest social platforms (Facebook, Instagram, and WhatsApp), and they continually do things to increase their dominance," said News Media Alliance CEO David Chavern.

Each month, almost three billion people use Facebook as well as WhatsApp or Instagram, and more than 90% of Facebook's users are outside the United States, according to Facebook reports.

When you add in Facebook's dominance of advertising on the social media end of things, the duopoly takes in nearly 60% of all digital ad revenue, according to Vox.

Ad tech dominance

"But that isn't the entire story," according to a News Media Alliance statement. "Because Google dominates the online advertising ecosystem, they're not only making money off the ads placed on publisher's websites, but also from the use of their ad tech in placing the ads."

Since 1998, Google has created such a web of all the services that underpin web ad sales that it has become the largest seller of digital ad space and provider of digital-ad analytics. Google is effectively the broker in most digital-ad transactions. That dominance acts to push companies to use its ad tech and buy its ads.

Ad tech "taxes" and lack of transparency

"The Association of National Advertisers estimated that, when the 'ad tech tax' is taken into account, publishers are only taking home between 30 and 40 cents of every dollar, while the Cairncross Review found that publishers get between 43% and 72% of revenue generated from ads on publishers' websites," said Chavern.

"Additionally, a UK study found that a third of the money in the ad tech supply chain is unaccounted for – likely driving up Google and Facebook's revenue further."

"When you talk about things like antitrust in terms of journalism, there's also antitrust in the ad tech infrastructure, fed by the lack of transparency, and I'd like the government to really investigate it," said Archant's Willis.

"Actually, I'd rather see us focus on bringing transparency and a fair distribution of programmematically driven ad revenues to the platforms. But the policy makers [government] probably don't understand the programmematic infrastructure well enough."

Publishers retain 95% ad revenue

Once again, Google disagrees, disputing the assertion that publishers see but a fraction of the ad revenue they generate.

"To illustrate how news publishers use our platform to monetise, we recently looked at the 100 news publishers globally with the highest programmematic revenue generated in Ad Manager," said Google VP/ Global Partnerships Bonita Stewart. "We then ran an analysis focused on the average fees retained by Ad Manager across those publishers' digital advertising businesses.

"In analysing the revenue data of those top 100 news organisations, we found that on average, news publishers keep over 95% of the digital advertising revenue they generate when they use Ad Manager to show ads on their websites," said Stewart.

"This analysis reflects the average fees retained by Ad Manager, and does not include fees that may be paid to other platforms and services."

Google's practices have created an ad tech "cemetery"

Several rivals to Google's DoubleClick for Publishers ad system have left the ad-serving business in recent years, including OpenX, Facebook, and Verizon Communications Inc., according to the Wall Street Journal (WSJ).

"The ad-tech industry is like a cemetery," Damien Geradin, an antitrust lawyer and professor of competition law and economics at Tilberg University in the Netherlands, told the WSJ.

One reason for the "cemetery" is Google's anticompetitive practices, according to Geradin.

For example, prior to 2016, advertisers could use a third-party ad-buying tool to purchase ads on YouTube. Then Google started forcing ad buyers to use Google's tools for purchasing video ads on YouTube, by far the most-trafficked video site on the web.

The beginning of the end

"That was in many ways the beginning of the end," AppNexus co-founder Brian O'Kelley told the WSJ.

"Google used its monopoly on YouTube to put its hand on the scale," said Ari Paparo, who runs Beeswax.io Corp., an ad-buying specialist that competes with Google, in speaking with the WSJ.

But once again, Big Tech disagrees. "We are an ad tech provider to a lot of media organisations and around 10% of our total revenue comes from our ad technology businesses," said Google's Chinnappa. "And as

“The deals we cut with Facebook or YouTube, it’s better to cut a deal which can help you move towards your goal, rather than not cut that deal and stay two steps behind.”
Srinivasan Balasubramanian, Vikatan Group

an ad tech supplier, we operate on revenue sharing, so we only make money when publishers make money around the advertising technologies. The shares start from 70% that go to the publisher up to 95%.”

Are platforms a matter of choice?

Big Tech argues that using their platforms is a matter of choice. “They say you don’t have to use Google, you can use Duck Duck Go,” said Chavern.

“The problem with that is that Google has built a web of adjacent technologies, particularly their ad tech stack, so they dominate all the consumer approaches.”

Alfred Heintze
Burda International

The US Federal Trade Commission (FTC) agrees. In December 2020, the FTC and attorneys general from 46 of the 50 US states sued Facebook, alleging that the company is illegally maintaining its personal social networking monopoly through a years-long course of anticompetitive conduct.

“This course of conduct harms competition, leaves consumers with few choices for personal social networking, and deprives advertisers of the benefits of competition,” the suit alleged.

This is not an even playing field

“There is nothing wrong with competition, but it is not competition when you don’t have even playing fields,” said Burda International Holding COO Alfred Heintze.

But some publishers question whether a level playing field is even a realistic possibility. “I don’t think it’s ever possible for us to find partners with a level playing field at all times," said Vikatan Group Managing Director Srinivasan Balasubramanian. "When a producer cuts a deal with Netflix, is it a deal of equals? I don't think so.

"At many points of time, we are forced to make deals with those who are not necessarily our equal partners," Balasubramanian said. "The deals we cut with Facebook or YouTube, it's better to cut a deal which can help you move towards your goal, rather than not cut that deal and stay two steps behind."

The battle over search

One of the first battles with antitrust implications is in Search. The original Google search results with BackRub back in 1996 consisted of a simple list of 10 blue links to websites it

Srinivasan Balasubramanian
Vikatan Group

believed could answer the user's question. "We want to get you out of Google and to the right place as fast as possible," Larry Page, Google's co-founder, said in an interview with Playboy in 2004.

Today, Google seems to want to be seen as the right place itself, keeping users on its site with its Google ads. Search results now start with Google's own products and services and only afterwards include information scraped from other websites, including media sites.

It's working

"Google has gotten so good at answering users' questions, more than half of Google searches now end on Google, without a click to another site," according to The New York Times quoting a recent analysis by online-search analyst Rand Fishkin.

Once again, Google disputes this, saying Google Search sends billions of clicks to websites every day, and it has sent more traffic to the open web every year since Google was first created.

"This week, we saw some discussion about a claim that the majority of searches on Google end without someone clicking off to a website

— or what some have called 'zero-click' searches," said Google Public Liaison for Search Danny Sullivan in March 2021.

Why all searches don't end in clicks

"As practitioners across the search industry have noted, this claim relies on flawed methodology that misunderstands how people use Search. In reality, Google Search sends billions of clicks to websites every day," said Sullivan. "But not every query results in a click to a website, and there are a lot of very good reasons why.

"People don't always know how to word their queries when they begin searching," said Sullivan. "They might start with a broad search, like 'sneakers' and, after reviewing results, realise that they actually wanted to find 'black sneakers'. In this case, these searches would be considered a 'zero-click' — because the search didn't result immediately in a click to a website.

"In the case of shopping for sneakers, it may take a few 'zero-click' searches to get there, but if someone ultimately ends up on a retailer site and makes a purchase, Google has delivered a qualified visitor to that site, less likely to bounce back dissatisfied," said Sullivan.

Starving out media companies

Critics claim that Google is favouring its own content or providing just enough to satisfy a searcher, and that strategy ends up starving media companies and others of visitors to their sites to read their content, see their ads, and, ideally, subscribe.

However, Google's own success could be its undoing in this regard. The antitrust argument can be made that, with its 90% dominance of global searches, it has an effective monopoly. As a result, sending users to its own products could be seen as anticompetitive behaviour in some countries.

Google was fined $2.7 billion by the European Union in 2017 for favouring its shopping service over rivals in search results. On the other hand, the US FTC investigated Google's search practices but settled, concluding there was no harm to consumers. They did not, however, consider harm to media companies and other online organisations.

Google maintains that there is a

lot of search competition and that its own search engine operates in a way to give users the most relevant results, not its own services.

Google: No transparency on ranking is a myth

"With the amount of information available on the web, finding what you need would be nearly impossible without some help sorting through it," Google's Chinnappa said. "Google ranking systems are designed to do just that: Sort through hundreds of billions of web pages in our Search index to find the most relevant, useful results in a fraction of a second, and present them in a way that helps you find what you're looking for.

"These ranking systems are made up of not one, but a whole series of algorithms," said Chinnappa. "To give you the most useful information, Search algorithms look at many factors, including the words of your query, relevance and usability of pages, expertise of sources, and your location and settings.

Google: Search guidelines publicly available

"The weight applied to each factor varies depending on the nature of your query — for example, the freshness of the content plays a bigger role in answering queries about current news topics than it does about dictionary definitions," Chinnappa said.

"To help ensure that Search algorithms meet high standards of relevance and quality, we have a rigorous process that involves both live tests and thousands of trained external Search Quality Raters from around the world," he said.

"These Quality Raters follow strict guidelines that define our goals for Search algorithms and are publicly available for anyone to see [search for 'search quality evaluator guidelines']. We also provide support pages, blogs, a help community, and office hours with our experts to provide insight and solve problems."

Monopolies getting "free ride" on content

Then there is the question of compensation for a publisher's content that shows up in search results. "Global players are using their monopoly power to free ride on the editorial journalistic content," said Axel Springer's Büchi.

As Big Tech uses search algorithms to scrape content from media

Ilias Konteas
ENPA and EMMA

companies, "they are getting more value from the content we produce than we're getting [from having it appear on their sites]," said Condé Nast's Block. "How do we get compensated for our content in their product? What is fair compensation? It comes down to the value they get from our content on their sites.

"We think there needs to be a more sustainable marketplace for all that participate in the digital economy," Block said. "That includes having direct access to our audience wherever they are and a fair opportunity to sell our product so we can recoup the investments we make in creating content of the highest quality."

It is "basically hijacking"

The platform companies "have based the success of their entire business model on unauthorised and unremunerated large scale re-use of publishers' content" said Ilias Konteas, Executive Director of The European Newspaper Publishers' Association (ENPA) and the European Magazine Media Association (EMMA).

"They have never paid for this content, but they have claimed that they have brought back traffic to the websites of press publishers,"

> "In Europe, they pick and choose those with whom they want to conclude agreements – that's an abuse of a market dominant position. It also goes against the press publishers."
> Ilias Konteas, ENPA and EMMA

said Konteas. "This does not reflect proper licensing and negotiating standards. What it reflects is a practice of basically hijacking our content without paying for it."

Google: The free-rides on journalistic content is a myth

"Publishers are in the driver's seat," said Google's Chinnappa. "There are many ways newspaper publishers find audiences for their content. Search is only one. Publishers have always been able to control if and how they want to appear on Google, and fine-grained settings allow them to optimise the value they get from Search to achieve their business goals.

"For example, publishers who want snippets in their search results but don't want to be used as a Featured Snippet at the top of the page can tell Google to keep their snippets short," Chinnappa said. "Publishers who like text snippets but think images don't help them attract user traffic can tell Google not to use images."

Payments are selective and below standard rates, publishers say

Even when Big Tech does pay for content, it's selective and, some publishers claim, below their standard content licensing rates. "In Europe, they pick and choose those with whom they want to conclude agreements — from my point of view that is an abuse of a market dominant position. It also goes against the press publishers' right that covers the whole press ecosystem," said Konteas.

"We need a binding mechanism that will make these platforms negotiate fair pricing conditions," he said. "But this binding mechanism has to apply to the whole press ecosystem; they cannot pick and choose those with whom they want to negotiate."

Scraped content vs clicks

But is content scraping without compensation really an inequitable arrangement? "What is the actual value of the click? The click has many, many values, as you can imagine, but by and large, we are talking about billions of dollars and euros which are funnelled back from platforms to the press," said media analyst Frederic Filloux, co-author of media newsletter Monday Note.

"And, by the way, if it was not the case, if the press had no reason to go through these platforms, they wouldn't do it. But look at the amount of money that the press are spending to do SEO, to do all sorts of optimisation. They are craving deals with platforms, which means that they are really making money."

Are snippets covered by 'fair use'?

There is also the legal concept of "fair use" in several countries around the world, including the United States, Malaysia, Singapore, Israel,

Frederic Filloux
Media analyst

Canada, and South Korea. Under fair use, a percentage of a copyrighted work can be used without compensating the owner.

"Snippets are within the framework of fair use in the United States where the application of fair use is quite extensive," Filloux said.

Facebook and Google start to pay for content

In what some say is a bid to stave off legislation and regulation, Big Tech have been making changes in their use of publishers' content.

Google introduced Google News Showcase, and Facebook launched Facebook News.

In 2019, Facebook launched Facebook News. It started in the US with the company promising to pay the mainstream media organisations it chooses and whose content is selected by Facebook's human editors.

The news was greeted with enthusiasm from some surprising quarters, including News Corp. A year earlier, News Corp CEO Robert Thomson had said that "the Facebook icon may appear to be an approving thumb, but to content creators it's actually a contemptuous middle finger."

From castigating to cozying

But at the Facebook News launch, the very same Thomson appeared with Facebook's CEO Mark Zuckerberg and effusively praised the initiative, saying it would convert members of the media "from pessimism to optimism".

Not everyone was so ebullient, but it was a big step that will put hundreds of millions of dollars in the pockets of news media companies around the world as it rolls out from country to country.

After the US launch, Facebook News debuted in the UK in January 2021 with deals with the Guardian, the Economist, Channel 4 News, Daily Mail Group, DC Thomson, Financial Times, Sky News, Telegraph Media Group and hundreds of local sites.

On May 18, Facebook launched in Germany, with publishers representing more than 100 German editorial brands.

Publishers stand to make millions

While financial details weren't released, published reports estimated the Facebook deals would earn leading publishers millions of dollars.

Google News Showcase also has been busy signing up publishers. At the end of March 2021, Google announced that "in the past six months, we've launched News Showcase in the UK, Australia, Argentina, Brazil and Germany and signed deals with close to 600 publishers in over a dozen countries; over 90% of the publishers are considered local, regional or community newspapers."

Also in March, Google signed deals with 13 Italian media companies, representing 76 national and local papers.

Google knuckles under to French

Earlier in the year, and not part of News Showcase, Google reached an agreement with a French publishers' association on payment for news content for content appearing in Google News Showcase.

In this case, Google was forced to the negotiating table by the EU "neighbouring right" for news rule that was recently transposed into French law. Google sought to evade paying by not running the snippets in France, but "the French competition watchdog (FCA) declared Google's unilateral withdrawal of snippets to be unfair and damaging to the press sector,

"They told us we have the alternative to turn off the search, which I can only consider a joke."
Frederic Kachar, Infoglobo and Editora Globo.

and likely to constitute an abuse of a dominant market position," according to Tech Crunch.

Despite the hundreds of publishers signing up for Google News Showcase, it doesn't appeal to everyone.

Are Facebook News and Google News Showcase just PR ploys?

"The minute Google News Showcase arrived, I realised it was a PR tool from Google, anticipating they would have trouble with antitrust legislation," said Frederic Kachar, CEO, Infoglobo and Editora Globo.

"I get paid for a couple of articles

Frederic Kachar
Infoglobo and Editora Globo

per day, but the way it was written (and this clause is worldwide), we had to agree that all the pending issues regarding content and search would be addressed with this deal.

"We will not sign under these circumstances," Kachar said. "If they want to develop their product and license the correspondent content, that's fine, but if the intention is to reach an agreement regarding a much wider scope, in which all the disputes involving the rights of our content in their search is pacified, definitely the conditions needed to be much different," Kachar said.

A "take it or leave it" strategy

"They definitely operate pushing the publishers," said Kachar. "With Showcase, it wasn't fair. Besides not opening the valuation of the offer, all other initiatives we had undergoing — such as web stories and SWG — were immediately abandoned after we declined to sign.

Click to play the video introducing the Google News Initiative

"They told us we have the alternative to turn off the search, which I can only consider a joke," said Kachar.

"If there are reasonable proposals, we are always ready to listen, but with what is on the table right now, we are not signing deals and don't really think publishers should," said Burda's Heintze. "We're not on a level playing field. And the only entity that can make this possible is government."

Do reparations make sense?

In addition to the concept of compensation for content and antitrust protections, there is a school of thought that believes reparations are due to publishers for Big Tech's evisceration of the media's advertising-supported business model.

In Canada, for example, legislation is being debated that would create a Big Tech tax, the proceeds of which would be put in a pool to be distributed to the country's media.

While that approach has the enthusiastic backing of the Canadian magazine association, others don't agree with it at all.

"I don't see the notion of reparation because in my view, the press is very much responsible for its own demise," said Filloux. "I mean, it vastly under-invested from a purely technological standpoint."

A dependency system: the subsidies syndrome

And, besides, Filloux argues, the idea of reparations is redolent of a culture of dependency.

"In the United States, you don't carry the same mentality, you're much more in the free market," Filloux said. "But in France and in Australia, for instance, there is a culture I call the subsidies syndrome.

"In France, the government is helping the press to something like 10% of its revenue," said Filloux. "In France, we have a category of newspapers called 'low advertising resources media', which means those media are not good enough, or don't have enough audience to actually carry big numbers when it comes to advertising. So they are collecting something like 20% of their revenue through direct aid from the government."

The reparation approach especially doesn't fly with critics who say the publishers put themselves in this predicament and should get themselves out. But that line of thinking ignores the monopolistic realities of today's digital world.

If only there were smarter publishers?

"The approach that it's all the publishers' fault, that the publishers are stupid and slow and if only there were better people in the industry, the business would be great — that is facile thinking and overlooks the underlying dynamics of what's going on the market," said the News Media Alliance's Chavern.

"Proponents of that line of thinking can't answer the question: Where then are the profitable new entrants and why aren't there any? Plenty of smart, digital-first guys have had time to 'adapt' to the new environment, and it turns out that the market they are selling into is brutally unfair.

"A couple of companies sit on top of all the apparatus of the internet and control everything about accessing users," said Chavern.

"To put it simply, companies that once were scrappy, underdog start-ups that challenged the status quo have become the kinds of monopolies we last saw in the era of oil barons and railroad tycoons," wrote the authors of an autumn 2020 report of the antitrust subcommittee of the US House Judiciary Committee.

Google: "Outdated and inaccurate allegations"

Google pushed back against

the report, insisting that "Google competes fairly in a fast-moving and highly competitive industry." In a statement, Google said "we disagree with today's report, which features outdated and inaccurate allegations from commercial rivals about search and other services".

Facebook also defended itself, saying it is "an American success story". It stated: "We compete with a wide variety of services with millions, even billions, of people using them. Acquisitions are part of every industry, and just one way we innovate new technologies to deliver more value to people."

In recent years, both Google and Facebook have defended their role in supporting journalism, including launching multi-million dollar programmemes to advance training, tech support, community outreach, and more.

Google: It's a myth that we don't contribute to the news ecosystem

Google points out that it has worked with the media industry on solutions to challenges in technology and monetisation as well as in journalism.

"Five years ago, Google got together with prominent news organisations from around the world to brainstorm how to make the mobile web work faster for users and better for publishers," said Google's Chinnappa.

"These conversations led to the development of Accelerated Mobile Pages (AMP) which is now used by hundreds, if not thousands, of news organisations globally to deliver their content efficiently to mobile phones.

"AMP is now an open source initiative that no one organisation controls and which exists for the benefit of the mobile ecosystem," he said.

Google: Funding to help support and build journalism

"In 2018, we launched the Google News Initiative (GNI) along with a $300m investment to help news publishers in their transition to a digital world," said Chinnappa. "Last year at the start of the COVID-19 pandemic, we stepped up our support across the company.

"Alongside $40m from the GNI for the Journalism Relief Fund, we provided support via marketing with a $100m spending commitment to news last year, a four-month fee waiver for news publishers using Google Ad manager, and a $15m Support Local News campaign that we ran in the US and Canada in partnership with the Local Media Association and the Local Media Consortium.

"Our GNI Impact Report showed that over the last two years, GNI has supported more than 6,250 news partners in 118 countries through $189 million in global funding, programmemes, tools and resources," said Chinnappa.

Google also points out its other initiatives and publisher benefits:

Google News Showcase

→ $1B committed to support the news industry and Google News Showcase partnerships

Revenue and traffic for publishers

→ Every year, Google pays out billions of dollars directly to the publishing partners in the Google ad network

→ Subscribe with Google has created more than 400,000 new, paid subscribers for news partners — 100,000 of those in the last six months

→ 24 billion clicks per month (9,000 clicks per second) from Google Search and Google News results to publishers' websites. "That has value from an advertising or subscription point of point of view," said Chinnappa.

Facebook, too, has launched programmemes it says are aimed at boosting media in general and journalism in particular.

Facebook Accelerator Programme

"The Accelerator programmeme is a three-month programme aimed at addressing specific business challenges facing the news industry," said the company in a statement. "Accelerator programmes bring news organisations together to innovate, learn from one another, and collaboratively develop strategies to improve their business both on and off Facebook."

Facebook Community Network Grant Programme

"In partnership with the Lenfest Institute for Journalism, the Facebook Journalism Project (FJP) Community Network grant programme supports people and organisations aiming to build community through local news," said the company in a statement. "The programme offers grants ranging from $5,000 to $25,000 and accepts applications three times a year."

Facebook Grants

"Facebook is investing $100M to support the news industry during the pandemic in addition to our previous $300M commitment to serve journalists around the world," said the company in a statement.

Instagram Local News Fellowship

"The Instagram Local News Fellowship is a ten-week summer programme for journalism students to work as Instagram editors in US local newsrooms," said the company in a statement.

But some in media see a hidden agenda behind those initiatives.

Owen Meredith
PPA

"Some might call it extortion; some might call it tokenism; some might say it is an attempt to get around a legislative agenda that they believe would be detrimental to their business," said Owen Meredith, the CEO of the UK's Professional Publishers Association.

"They have no problem in dropping crumbs of sponsorship pittances on the way to their goal, to bind the right places with gratitude," wrote Libuše Šmuclerová, Chair of the Board of Directors of the Czech News Centre in a May 2021 open letter from the News Centre. "Initiatives to 'support' journalism are nothing but covers, a PR alibi for those unfamiliar with this world."

Google: Initiatives not about money but mission

Google begs to differ. It says it doesn't run its journalism programmes as distractions but as part of its mission. It insists that Google cares about quality journalism because it helps create a more informed world that aligns with its mission focused on making information universally accessible, and so is invested in helping journalism not only survive, but thrive. Google has stated that the value of news to Google is about informing and educating, not economics.

"Many Japanese publishers have had one-on-one talks with the giants and they have been very unsuccessful coming to deals that both parties can say are good."
Akiko Nakakoshi, Japanese Magazine Publishers Association

Nonetheless, despite the journalism support initiatives, some in media view the platforms as bullies when it comes to interactions with media companies about content compensation, data sharing, ad tech, and algorithm disclosures.

Made to feel like a "moron"

In Southeast Asia, one media company executive said he felt like he was being treated like a "moron".

"They walk into our office and they behave in such a proud manner that I thought, 'Wow, we are just lowly morons,'" said Summit Media CEA Ashish Thomas.

Akiko Nakakoshi
Japanese Magazine Publishers Association

"Many Japanese publishers have had one-on-one talks with the giants and they have been very unsuccessful coming to deals that both parties can say are good," said Akiko Nakakoshi for the Japanese Magazine Publishers Association.

"They feel that they are always being seen as lower."

With all of the challenges enumerated above, Big Tech and the media are a couple in need of an intervention.

What's the shape of that intervention?

POSSIBLE SOLUTIONS

You've got more power than you think

SOLUTIONS Part 1

National and Regional levels

We'll start with a look at solutions from a national and regional point of view, then we'll consider what individual publishers can do.

First, the big picture: the national and regional solutions to the problem:

1. Enforce compensation for the use of content
2. Open up the secret advertising tech stack and ad selection process
3. Make the content algorithms transparent
4. Restrict the collection and use of private data
5. Make Big Tech companies responsible for libel and slander on their sites
6. Create taxes to fund a pool of money to be shared by publishers

"We are part of a lobbying effort to create a tax on the platforms to generate a pool of money for publishers of all sizes and types." Melanie Rutledge, Magazines Canada

7. Relax ban on media companies engaging in collective bargaining with Big Tech

Now, of course, Facebook and Google could take it upon themselves to make some of the changes listed above, especially in terms of algorithm and ad stack transparency.

And that may happen, but in the absence of any clear indication that such changes are imminent or even under consideration, let's look at what we as an industry can do to make that happen.

Solving the legislation problem

On the legislative and regulatory front, governments around the world are gearing up to impose restrictions on Big Tech. For this discussion, we will not look at countries where the aim of that legislation and regulatory action is to stifle free speech.

In western Europe, Australia, and North America, governments and regulatory agencies have either passed laws or have bills in the works to curb or eliminate what they see as Big Tech's practices of stifling competition, abusing copyrights, spreading misinformation, and abusing privacy. We will focus on the anti-competitive and copyright angles.

An unprecedented global assault

"It is unprecedented to see this kind of parallel struggle globally," Daniel Crane, a law professor at the University of Michigan and an antitrust expert, told The New York Times. "American trustbusting of steel, oil and railroad companies in the 19th century was more confined, as was the regulatory response to the 2008 financial crisis.

"Today, the same fundamental question is being asked globally: Are we comfortable with companies like Google having this much power?" Crane said.

In December 2020, the EU introduced an online competition law, after having already established a publishers' right regulation that member countries are in the process of "transposing" to their own legal codes, some more strictly (France) than others (the Netherlands).

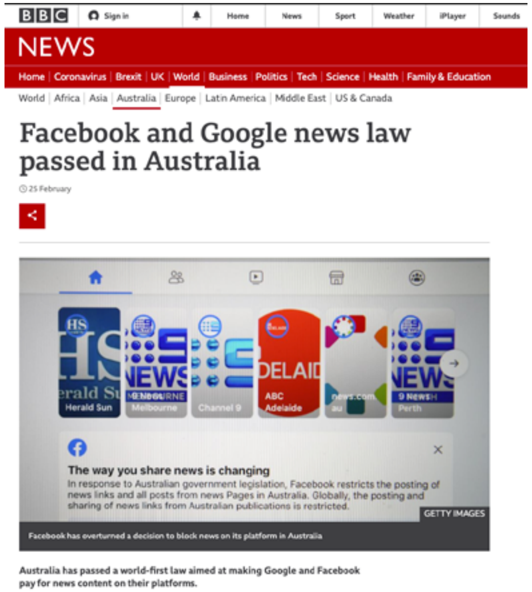
French regulators force Google to the table

France was the first country to implement the copyright directives, instructing Google and Facebook to pay publishers for content. Both refused. Google fought back in court, but the courts rejected Google's arguments. Google then worked with the French publishers, cutting a three-year, $76 million-dollar deal with 121 publishers there.

EU legislators are now moving ahead with the recently proposed EU Digital Services and Digital Markets Acts.

"The Digital Markets Act offers us an opportunity to tackle what we see as an abuse of a dominant position," said EMMA's Konteas. "The very essence of these regulations is to stop the abusive behaviour of those platforms, including the abusive practices they have demonstrated so far with the implementation of the press publishers rights."

And in April, a new UK regulatory agency overseeing technology giants launched, charged with determining if a code of conduct could improve the balance of power between the platforms and news publishers. The Digital Markets Unit (DMU) — part of the Competition and Markets Authority (CMA) — was created to stop big technology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Facebook and Google news law passed in Australia

25 February

Facebook has overturned a decision to block news on its platform in Australia

Australia has passed a world-first law aimed at making Google and Facebook pay for news content on their platforms.

companies from abusing their market dominance after the existing competition regulator said existing rules were not enough.

The Australian Big Tech brouhaha

In February 2021, with a lot of fanfare and hullabaloo, Australia passed and then amended a law requiring Google and Facebook to negotiate with publishers for payment for news or submit to binding arbitration to resolve any disagreements.

Google threatened to make its search engine unavailable in Australia, and Facebook blocked the sharing of news links completely for five days. But negotiations resulted in the amended law, and Google and Facebook are beginning to pay Australian publishers for content.

Google immediately did a series of deals with Australian publishers, including a global pact with Rupert Murdoch's News Corp, which stipulated that Google will pay News Corp a reported $100 million Australian dollars over the next three years.

Melanie Rutledge
Magazines Canada

Also in February, Canada's heritage minister Steven Guilbeault promised to introduce legislation that would force tech giants to pay for news content that appears on their platforms.

His action came after a campaign backed by 105 local newspapers ending with all of them running blank front pages to highlight the need for reform. "News is not free and has never been," said Guilbeault.

What about a Big-Tech tax to fund a pool of media money?

There is also the aforementioned Canadian legislative push for a tax on Big Tech to finance a media fund that would be used to support the entire ecosystem of newspaper, magazine, and digital publishing organisations.

"We are part of a lobbying effort to create a tax on the platforms to generate a pool of money for publishers of all sizes and types," said Magazines Canada Executive Director Melanie Rutledge.

"The Canadian federal government is working on legislation for Big Tech and part of it will involve financial compensation for publishers," said Rutledge. "We are advocating against mandatory codes; instead we are advocating for a fund that the tech giants would pay into and then media would be compensated from that fund.

“Two things we are advocating for: First, that the definition of news be as broad as possible so that all magazine content that is being scraped is considered news,” Rutledge said. “The Canadian media market is defined by SMEs. Very few are large publishers.

Mandatory arbitration means more bureaucracy

“Second, we are advocating against a mandatory payment system and arbitration regimen because the latter would disproportionately favour large publishers at the expense of smaller publishers,” she said. “Also, arbitration is bureaucratically very heavy and, in a post-pandemic world, there is no appetite among the electorate for another big government bureaucracy.

“We like the fund model because it would take care of the SMEs that are characteristic of the landscape and include the entire media ecosystem,” she said.

In the United States in early 2021, the new president, Joseph Biden, loaded his administration with “trustbusters” with histories of antitrust actions and positions against Big Tech.

A bill moving through the US Congress entitled “Journalism Competition and Preservation Act” would, much like the Australian code, allow publishers to “collectively negotiate with dominant online platforms regarding the terms on which their content may be distributed.” Congress is also debating the Algorithmic Fairness Act.

Why use the antitrust approach v. the copyright approach

Based on a comparison of the deals struck in Australia and France, some publishers believe taking the antitrust approach versus the copyrights approach pays better dividends.

“The deals in Australia compared to those in France are 10 to 25 times higher than in France because, in France, it was a rights decision rather than an antitrust decision,” said Editora Globo’s Kachar.

“When the platforms realise they are losing in an antitrust situation, they will be more proactive because the penalties (10% of their revenues in the country) are so much higher.

"The most important thing to build the antitrust argument is convincing the legislators that the platforms are inhibiting innovation," said Kachar. "No more crying and saying we lost our classified ads and banner revenue. That is not the discussion; it's that we won't have innovation and businesses in 2030 if this doesn't change."

The need for media industry collectively bargaining

"Current US antitrust laws protect Google and Facebook from publishers because we are not allowed to collectively negotiate," said the News Media Alliance's Chavern. "We should be able to collectively bargain and the major platforms should deal with us fairly, or we should have an official dispute mediation mechanism."

But can notoriously independent publishers get their collective act together?

"We've struggled in the past with determining what are the common things all publishers can get behind, including those who have favourable relations with the platforms," said PPA's Meredith.

"But the publishers with the good relationships don't want to put that at risk."

SOLUTIONS Part 2

Publisher level

Let's look at what you personally can do at your company:

1. You can fight Big Tech while also working with them on collaborative ventures
2. You can lobby against them while negotiating with them
3. You can create innovative new systems while using theirs
4. You can exploit the existing system while working to reform it

STRATEGY #1

Lobby and negotiate

Publishers have always been free to cut their own deals with Big Tech, and some larger media companies have done just that. But not everyone is inclined to do deals, or empowered enough to avoid being overwhelmed and underpaid. They don't trust Big Tech and want legal protections.

Hence, lobbying. "But to have an impact in legislatures around the world, the media must lobby collectively not individually. We are competitors in the way we make people happy, but beyond that there are areas of shared industry and global interests where we are not competitors," said Burda's Heintze. "Here we must stand together. We have learned how hard it will be to overcome this, so we need to get close."

Strength in numbers

There is strength in numbers, and Big Tech knows that, so their inclination would have to be to pick off publishers one by one. "Their strategy is to negotiate one-to-one because it would be harder if we were together," Editora Globo's Kachar said.

In the EU, the UK, the US, and Canada, the national media organisations are lobbying for reform and regulations with teeth.

If legislation and regulations appeal to you as a way to even the playing field and end the abuses, reach out to your regional association to volunteer to help with lobbying. But some publishers have negotiated deals with Big Tech that have proven valuable and profitable.

"We've found our value proposition, and we were able to sell our value proposition to YouTube, we were able to cut a deal," said Vikatan's Balasubramanian. "And it has actually kept us afloat during the worst of times. We find that when trends in Facebook and YouTube move in certain direction, if we are able to keep pace with those trends, we automatically find the money starting to flow."

STRATEGY #2

Innovate

We already know that the advertising-supported business model isn't the answer, so we have to innovate our way around that.

"We have to try to get the revenue in other ways — when it comes to advertising, they already have 95%, so, to be honest, we must make ourselves independent from advertising revenues," said Burda's Heintze. "That's the lesson we've been learning since the 80s and 90s. All of our business models should be based on consumer happiness."

Innovating is exactly what Southeast Asia publisher Summit

Ashish Thomas
Summit Media

Media did. "When I joined Summit two years ago, I saw that we were dependent for 70% of our digital revenue on Google," said its CEA Ashish Thomas.

"So, I met with a Google Asia executive, and he was giving me his spiel about how big they are, the billions in earnings, and all of the innovation for 30-45 minutes.

Collaboration or competition

"I just kept quiet until I said, 'Let me draw a number for you — today we at Summit Media are 70% dependent on you for programmematic revenue. Are you going to help me or are you going to compete with me?' He got red and said, 'Do you know who we are?!'

"I just said, 'All I want to know is if you will help me achieve my goals we would help Google try and achieve some of theirs.' We told him we could help him test new initiatives in the market; we would help them try to create new products and take those new products for Google to the market.

"He never came back," said Thomas.

So Summit went its own innovative way, and in November 2020, the company was dependent on Google for only 33% of its digital

> "My biggest regret is that the cooperation between, for instance, Google and the media started on the wrong foot and really remains on the on the wrong foot."
> Frederic Filloux, Media analyst

programmematic revenue. This year, Thomas is reducing Summit's dependence on Facebook.

In so many cases, tech is the answer

What was Thomas's primary freedom-from-the-platforms innovation? "The challenge in publishing business is that we don't understand tech well enough," said Thomas. "There is a lot to be learned from Google and Facebook – they are not all that evil as many claim.

"So, we took charge of our own data," said Thomas. "We built our own data platform, did a lot of 'firsts' in the market. We hired many engineers and partnered aggressively with technology players to arguably make one of the best data management platforms in SE Asia. We were also able to create some of the best industry practices around innovative new capabilities, products, and solutions in the market.

"Hire good people and then teach them how to run programmematic, technology solutions, platforms and deliver great solutions for consumers and advertisers alike," said Thomas. "And then we started beating Google, delivering twice the CPM that Google delivers in the country! We did private deals giving more information to our clients and delivering better formats than Google.

"We need to embrace such capabilities and learnings with technology, with such transformations comes new capabilities and new powers that help the cause of every publisher," said Thomas. "Every publisher needs to invest more in tech and capabilities and hire new people.

Tech-driven record profits

"In a pandemic, we delivered record profits because of our technology and capabilities built relentlessly in the back end," said Thomas. "We are healthier through the pandemic and continue to invest and build capabilities embracing the learnings from Google and Facebook."

In a similar vein, media critic Frédéric Filloux, pointed his finger at the lack of innovation and shared his wish for how it might have gone … and still could.

"My biggest regret is that the cooperation between, for instance, Google and the media started on the wrong foot and really remains on the on the wrong foot," he said.

But that needn't be the case for publishers interested in innovation and collaboration with people who know their technical stuff (see the next section about collaboration with Google on innovation).

STRATEGY #3

Collaborate

Naysayers aside, there are a lot of publishers who have had very good, very profitable relationships with Big Tech, and with Google in particular.

In words most publishers would never associate with Big Tech, Archant Media CEO Lorna Willis believes that "if you take the cynicism away, actually, magic can happen".

That sentiment might qualify Willis for the nut house in the minds of some media execs. But her experience collaborating with Google actually ended with her company boasting the most advanced voice infrastructure in UK media, 170 years of archived content now accessible through NLP, a significant cultural shift, a confidence that now resonates through the businesses pushing them to innovate and move forward rather than retreat, and an approach that she believes probably contributed to her being named CEO several years later.

Not so nuts after all

Here's the story. Before the advent of Alexa and Siri in car dashboards, Willis had the idea of making all of Archant's current and archived content (170 years' worth) available via audio and enable users to create their own story paths through voice.

For example, users could say "Read me an article from 2nd July 1946" or "Find me a similar article" or "Read me an article about Winston Churchill," or "Read me last week's headlines".

"I anticipated that audio text was going to be standard in cars and therefore we needed to make sure we were there as well," Willis recalled. "I scoped out a project and the investment requirement and took it to the CFO. I sat down and said 'I need half a million quid, please.'

"He pretty much politely laughed and said, 'Well, we're in a situation where let's worry about the next six months, not the next six years," she recalled. But that didn't stop Willis.

Rejected at home, embraced by Google

"I came across the DNI project, and I thought, well, I'll send it to Google," she remembered. "Luckily, Google got back to me saying, 'Actually, this is a good idea and we're going to give you nearly 700,000 euros'.

"Then it got interesting — I took that back to the CFO, and he said, 'We may not be able to accept this because of the investments required from us.' I said, 'This is insane! If Google believes in this idea, then why am I having to convince you as well? To invest in our future, we are going to have to take the cost out elsewhere to make space to get the investment.'

"Then the CEO asked, 'So where does this rank in Google's awards?' I said, 'It is the biggest single award that Google has given in the entire round.' Then you could see the CEO's chest puff up.

"That single realisation, that Google *really* believed in what we were trying to do, changed the way in which we thought about the award," Willis recalled. "Suddenly, they were looking at what's possible, looking at if we get this right, we could end up with the most advanced voice infrastructure in UK media, and we could end up with fully accessible archives.

People grew to be ten-feet-tall

"This is a regional newspaper company, and what happened next was suddenly everyone grew about 10 feet in stature — Wow, Google backs us! — and the culture started to change," she said.

"That meant that suddenly people started to question what else was possible, what else could we achieve. We don't need to feel sorry for ourselves. Actually, we're bound by nothing.

"For the record, Google has paid for content where the journey stops at Google like audio content, and we drive billions of dollars of value through the traffic we send publishers, more than 24 billion clicks per month." Madhav Chinnappa, Google

"I can't overstate the cultural shift," Willis said. "I wish you could have seen this business three years ago and how we went from heads down just running to stand still to a kind of swagger. People really believe in what we can do as a business and industry."

So, Willis and Bloomberg's M. Scott Havens (see Comment, p50) believe the answer isn't to continue fighting and arguing, but to collaborate and innovate.

Argue or collaborate?

What does the arguing accomplish? "We can say Google and Facebook are stealing our content and we don't get any money for it," said Willis. "And then Google and Facebook could argue, well, we give you visibility and we're not charging for visibility and we drive X amount of traffic to your sites.

"Then we could turn around and say, well, we are going to stop [allowing content scraping] and your search engine and social media platforms are going to be derailed," said Willis.

"This kind of he-said-she-said is a bit petty because the reality is that this should be a symbiotic relationship. We need each other. And there has to be constructive conversation to make it work."

So how do the media and Big Tech collaborate? "I have no problem getting reporters and training reporters — we've been doing that for 170 years, and we're pretty damn good at writing the news," Willis said.

Give me a team of developers

"Our challenge now is content distribution, not content creation," said Willis. "What would be more useful from Google, bluntly, is a team of Google developers over six months embedded in our business to build me the technical infrastructure and sites that perform brilliantly against core vitals, enable agility in response to algorithm updates, etc., not another reporter.

"That would mean we could be agile and effective," she said. "It would be far more useful for me than for them to help with journalism. That would be like me saying to Google, I can help you with your tech and innovation!"

Google gets the collaboration idea. At least according to Google's Chinnappa.

Google's collaboration with European publishers

"What we try to do overall is to have a collaborative dialogue," said Chinnappa. "For example, five years ago, we got a group of European publishers together and we said, 'Tell us the challenges that you're facing and let's see if we can collaborate and do something that's good for the ecosystem overall'.

"Now I'm going to simplify lots of conversations over time here, but they said, 'The three main areas are Mobile, Video, and Monetisation on mobile'," said Chinnappa. "When it came to Mobile, the situation was that audiences were moving to mobile and that publishers were struggling to keep up with the developments. When our engineers looked at that issue, they said, 'Well, actually, the problem is that the mobile web is too slow and that's not a problem Google can solve.

"That's something we need to come together on as an industry. And that's why we helped develop something called Accelerated Mobile Pages (AMP).

"I might be the technically dumbest person, but AMP is an open source version of HTML that's optimised for mobile to give users a great experience while keeping publishers in control," he said. "And because it's open source, no one controls it and everybody contributes to it.

Collaboration on video, advertising and subscriptions

"The second thing the publishers asked about was Video, so what we did was develop a programme we called YouTube Player for Publishers, which was trying to simplify the YouTube experience and make it beneficial for publishers overall," said Chinnappa. "Regarding Monetisation, we worked with the industry around ad blocking and helping with the Coalition for Better Advertising, too.

"More recently on Monetisation, it's the things that we've done on the revenue side with Subscribe with

Google and our tools like News Consumer Insights (NCI) and our training programmemes like the Digital Growth Programmeme (DGP)," he said. "We've really tried to have collaborative dialogue and say, 'Let's talk about the challenges and let's see if we can collaborate and what we can do together, because actually we're in the ecosystem together and it's about the ecosystem thriving overall'."

At the end of the day, Chinnappa says, "We want to be both part of the conversation and the solution."

STRATEGY #4

Exploit

There is a subset of publishers who aren't pissed off at Big Tech, but see them in what they say is a very clear-eyed way: Big Tech are shop windows, nothing more.

Their suggestion: Exploit Big Tech for what they do so well. Exposure.

"It doesn't make sense to publish content on Facebook and drive people to read your news on Facebook," said Danish media analyst Thomas Baekdal.

"It takes people away from your site. On Facebook News and Google News, readers don't care or know what publication the story is from.

Thomas Baekdal
Media analyst

And if you're doing it for the ad revenue, it is so low it doesn't make any sense.

Facebook for news? No? Exposure? Yes!

"Facebook is fundamentally for people who are bored and want to spend time to see what family is doing," said Baekdal. "It's not a news platform. Thinking of Facebook like a news source is like thinking an ice cream stand should be selling salads. It doesn't make sense."

What does make sense, according to Baekdal, is to exploit the platforms for what they are good at. “Facebook and Google provide us with exposure, so we should think about them as advertising,” Baekdal said. “And if it turns out you can’t convert that audience to a sale, don’t do it anymore.”

Sometimes, exploiting a resource involves holding your nose.

The best test bed you can think of

“Facebook is the most toxic company for democracies that has ever been invented,” said media analyst Filloux. “Still, let’s forget about that aspect. As a publisher, I believe that Facebook is the best test bed you can think of if you want to evaluate your product, new pricing policies, and stuff.

“When you have an idea for a product you want to launch to a segment of your audience, go on Facebook, find the right segments of that audience, and test it,” Filloux said. “Facebook is unsurpassable in that regard. But as a publisher, I wouldn’t go on Facebook with my content. I would not spend a dime putting my content on Facebook.”

Sometimes exploiting a system is a healthy relationship

In Chennai, India, the 95-year-old Vikatan Group has had a positive relationship with Big Tech, Google’s YouTube in particular.

“We’ve had a three-year arrangement with YouTube, and it’s been a very, very fruitful association,” said Vikatan’s Balasubramanian. “And especially at a time, during COVID, when things were really down and out, and we couldn’t produce and couldn’t put fresh content online, they continued to honour their deal with us. Wow. That helped us really. It’s been very good, especially during the worst of times.

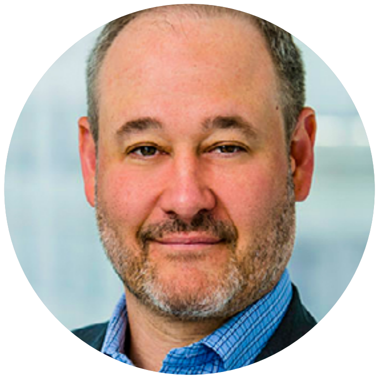
“If you do have the willingness to go the distance, dialogue and showcase your uniqueness, then I think there is scope for you to actually steer Big Tech to your advantage,” said Balasubramanian. “However, there needs to be an end game. Ours is to be an independent reader-revenue driven organisation. You need to finally find a way to find subscribers and make them pay for content eventually. Towards that, how we use Big Tech is defined by our conviction and capabilities.”

A CONTRARIAN POINT OF VIEW

If you're demonising them, you're missing out

Bloomberg executive M. Scott Havens suggests we redirect our anger and refocus our time and effort on figuring out the 21st century digital business model

Are you open to a different way of looking at Big Tech and the future of media? Try this for size: "Print media, especially newspapers, and the way that they made money was doomed the day the internet launched," said M. Scott Havens, Chief Growth Officer and Global Head of Strategic Partnerships for Bloomberg Media.



Bloomberg's
M. Scott Havens

"They didn't adapt, period," Havens said. "You can blame whomever you want — Craigslist to eBay to Google to Facebook. But this idea that print media was somehow robbed of all its money... well, guess what, the internet made advertising a heck of a lot better and more efficient. And print did not evolve.

Can’t really blame Eric Schmidt

“It’s hard for me to blame the, you know, Eric Schmidts and Sergey Brins and Mark Zuckerbergs of the world for building a pretty good product,” said Havens. “People are using these platforms to find stuff, to connect, to share. And it just so happens that activity can turn into huge referral traffic. I don’t find anything wrong with this phenomenon, as long as the platforms are not acting in a way that is restricting growth. And if they are, then we need to have a real conversation.

“But what I get frustrated with is blaming the platforms for the destruction of the media business,” said Havens. “What is our industry getting out of all the complaining if the goal is to save your business, to make sure that its legacy is protected for the next generation? What good is it to run around spending any bandwidth blaming these guys for the destruction of your business? I find no value in that.”

How to use history’s most powerful marketing engines

“I’ve spent the last 15 to 20 years essentially working in the evolving print media ecosystem trying to innovate and create new business models in this new world,” said Havens. “I have not spent any time worrying about Google and Facebook and how they’re crushing our business.

“But actually, since the platforms are the most powerful scaled-marketing engines in the history of humanity, I’ve been spending time thinking through how we use them appropriately to further our business,” Havens said.

“The question which we must spend more time on is — How do you build a business in the era of the platforms? Not how to block, restrict, or attack platforms so that your business is better off, but how to figure out how to work with them,” said Havens.

“I couldn’t run Bloomberg Media without the partnerships we have with Google, Facebook, Twitter, Instagram, YouTube, Apple. YouTube is a huge partner for us. Apple news is a huge partner. We’re making tons of money and reaching tens of millions of executives working with these guys.

Have you received a bill for millions of referrals?

"Let's be clear, they are making use of some of our content, but we can stop them from doing that in many cases if we want to," said Havens. "But no one wants to do this, of course, and publishers conveniently neglect to tell you how much free marketing they're getting from these platforms.

"Publishers talk about their expensively produced content being used without any compensation, but have they sent you a bill for the millions of uniques you had in your site last month?" asked Havens. "We, and many publishers around the world, see hundreds of millions of referrals from the platforms each year.

"If we had to pay five cents for each one of those, this would cost tens of millions of dollars," said Havens. "That's a healthy marketing budget that you would need to get people to come to your website.

"So who's paying whom here? One might credibly argue that the platforms don't necessarily owe publishers anything.

How to build a $100 million subscription business

"We've built a $100 million subscription business in three years," said Havens. "I know we have a great brand, and great content, but we've invested in monetising all of this referral traffic.

"We have a really smart, digitally savvy team that knows how to use these platforms. Our biggest budgets go to these platforms to

The question which we must spend more time on is — How do you build a business in the era of the platforms? Not how to block, restrict, or attack platforms.
Scott Havens, Bloomberg Media

acquire subscribers. And it's the most cost-effective. It's cheap and effective and there is scale.

"I can acquire people at far cheaper rates than using direct mail, television advertising, radio ads, billboards or whatever," Havens continued. "And we can track it. Furthermore, you can bring your first party data into many of these platforms, and our experience in doing so drastically reduced our acquisition costs.

Distractions versus innovations

"I really think worrying about how the platforms destroyed the media business is a dangerous thing, not only as a distraction emotionally and mentally, but also as a drain of resources away from focusing on how I might best serve my customer and how can I innovate with this new model or new thing?

"If you're demonising them, you're missing out on how amazing they actually are," said Havens. "And you're missing out on huge opportunities to think about ways to extend your business.

"You've got to get back to understanding what your value propositions are. Why do you even need to exist? I know it sounds harsh, but I say this to publishers all the time. It's 2021, what does your target audience need from you? Are you providing it? Have you talked to them? Will they pay you for it? You may not like the answer, but if you don't ask these questions, it won't matter."

CONCLUSION

Who has the momentum?

In sporting events, when the losing side surprisingly scores and looks like it might be on the verge of turning the tide, sportscasters say, "the momentum may be shifting".

That might now be the case in the match between Big Tech and the media.

Remember what Ralph Büchi, Chairman of the Supervisory Board of Berlin-based Axel Springer SE, said about Big Tech at the beginning of this white paper?

"Those global players are using their monopoly power for a free ride on the editorial journalistic content, undermining the ability of small and large publishing houses to independently refinance themselves through content distribution, advertising revenues, and classifieds."

In March, Axel Springer refused to join other German publishers who were signing content deals with Facebook. "We consider the efforts of several platforms to become

I sat down with my executive team and said: 'Guys, there's no one coming up behind us. If we don't solve this, no one else will. The buck stops with us.
Lorna Willis, Archant Media

news brands themselves while at the same time compensating some publishers with inappropriately low remuneration for their content as problematic," said an Axel Spring spokesperson at the time.

Guess who just gave Axel Springer the terms it wanted?

Facebook.

On May 17, Axel Springer and Facebook agreed on a joint global cooperation aimed mainly at distribution. Content produced by Axel Springer, including video, will be increasingly distributed in various Facebook offerings, including Facebook News.

In stark contrast to what Chairman Büchi said just a month earlier, Axel Springer SE CEO Mathias Döpfner said, "The relationship between content providers and platforms has now become fairer and more predictable for both sides. This global cooperation is a strategic milestone for us as a publisher and for the industry as a whole"

Between content deals in Australia, France, Italy, and the UK, and the unprecedented global legislative assaults against Big Tech, it might be safe to say that "the momentum is shifting."

The preceding 13,000 words painted a picture of the Big Tech-Media match that is at least anxiety producing, if not ominous: Monopolistic business-threatening practices; legislative and regulatory battles; antagonists holding what seem to be intractable, hostile positions; massive global enterprises versus a smaller, tribal media industry; etc.

But consider these two observations:

1. As the Axel Springer deal and others illustrate, things are already changing, and

2. We have more power than we might think

For starters, the playing field is not as uneven as it might appear.

And it's getting more level every day.

Beyond the increasingly frequent content deals, consider this: Big Tech has no friends.

You'd be hard pressed to name one legislator or regulator anywhere in the world on the side of Big Tech. You don't see laws being passed to protect Big Tech, right?

Take the US, for example. In mid-2020, the House Judiciary Committee, made up of Republicans and Democrats (who loathe one another viscerally these days) took testimony from the heads of the big four tech companies: Apple, Google, Facebook, and Amazon.

The usual format for these types of hearings is that while one side bashes witnesses, the other defends them. Not this time. As one observer said, "They took turns bashing away."

After the hearings, Business Insider headlined its analysis: "Big Tech has no friends in Washington anymore".

With no friends to protect them, Big Tech worldwide are seeing new laws and regulations being passed to begin curbing monopolistic practices, and start calling Big Tech to account on issues like privacy, data, transparency, etc.

As we cited earlier, this kind of intense, simultaneous worldwide pressure on a single industry is a global first. "It is unprecedented to see this kind of parallel struggle globally," Daniel Crane, professor and an antitrust expert, told The New York Times.

"American trustbusting of steel, oil and railroad companies in the 19th century was more confined, as was the regulatory response to the 2008 financial crisis.

"Today, the same fundamental question is being asked globally: Are we comfortable with companies like Google having this much power?"

Then there have been the cracks in the content compensation wall. In more than a few countries, Big Tech platforms are beginning to pay for content, and they're paying a lot, even if some say it's still not enough.

“We will learn to live in the digital world in a successful fashion.”
Owen Meredith, PPA

Maybe so, but it’s a hell of a lot more than what they were paying.

Additionally, legislative and regulatory bodies around the world are already mandating changes in the Big Tech behaviours that the media industry has identified as critical to creating a healthy media environment:

- Compensation for the use of content
- Opening up the secret advertising tech stack and ad selection process
- Making the content algorithms transparent
- Restricting the collection and use of private data
- Ending Google’s near-monopoly of the digital advertising marketplace
- Making tech platforms responsible for the content they publish

In the course of researching this paper, we also found that a good percentage of publishers not only accept the verdict that we brought a lot of our troubles on ourselves, but more importantly that, in addition to corralling Big Tech, we should be taking the initiative ourselves to innovate our way out of challenges. Several publishers gave us great examples of how innovative digital solutions to digital challenges are one of our primary strategies to achieve business sustainability.

We also found that some of those solutions to our problems can be found by actually collaborating with Big Tech. After all, who knows tech better than they do? Big Tech has increasingly committed funds and resources to help the media industry transition to a 21st century business model. But, as Archant CEO Lorna Willis said, what we need more of from Big Tech is not training in journalism (outside their area of expertise), but tech assistance from the masters of tech.

Archant's Willis laid out the challenge. "I've only been CEO for about three weeks, and I'm fucking loving it," Willis said. "I sat down with my executive team and said: 'Guys, there's no one coming up behind us. If we don't solve this, no one else will. The buck stops with us."

She's right. If we don't solve this, the media as we know it won't be around for the next generation to manage.

But what exactly does "the buck stops with us" mean? It's a great aphorism, but how does a publisher translate it into specific actions?

The publishers we spoke with, especially those who'd carved out successful, innovative and multi-faceted approaches to Big Tech, seemed to share what could be called a Big Tech Users Manual.

In a variety of ways (focusing on new tech, new revenue streams, creative collaborations, etc.), they have avoided being consumed and distracted by a single-minded strategy of bashing and battling Big Tech.

They opted instead for a more complex approach, approximating the four-step strategy we mentioned earlier in this paper:

3. Fight Big Tech while working with them on collaborative ventures

4. Lobby against Big Tech abuses while negotiating with them to your advantage

5. Create innovative systems while maximising theirs for what they do well

6. Innovate your own way out of crises while exploiting their innovations

While simultaneously and vigorously lobbying legislators and government agencies for change, we can also be working with Big Tech to create programmes, services, algorithms, and technology that will enhance our own businesses as well as theirs.

Willis, for example, is spot-on about Big Tech's well-intentioned efforts to help us improve our journalism, and we should continue to accept that help if offered. But her argument is that publishers would be better served if Big Tech were to concentrate its work with us on doing what it does best: delivering technology solutions to problems we are not innately good at solving.

Google's Madhav Chinnappa described the perfect example of the potential impact Big Tech's expertise could have on our digital challenges. Presented with publishers' mobile content problems, Google developers came up with Accelerated Mobile Pages (AMP), something no individual publisher could have devised for itself – never mind for the entire industry.

Chinnappa has said that's exactly the kind of thing that he and Google want to do.

So, between legislative and regulatory actions to tame the abuses, our own innovative thinking to strengthen our content, tech and revenue capabilities, and, yes, even collaboration with 'the devil', we will find our way to a sustainable future.

At the end of the day (and the end of our research), we have reason to share the measured optimism of the PPA's Owen Meredith. "In the UK, we will get a workable position," he said.

"It won't be as satisfactory as most publishers want, but we can set up a competitive playing field among publishers and the platforms – not skewed one way or another.

"We will learn to live in the digital world in a successful fashion."

We agree. ●

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