



December 7, 2018

VERTICAL

MARKET INTELLIGENCE
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On Our Radar: Weekly Recap of Key Media Developments

YouTube Expands Stories Experiment

FB, GOOG, GOOGL, SNAP

YouTube is expanding its Stories format, called “Reels,” to all content creators who have more than 10,000 subscribers. Reels are in a vertical format, like Stories on Instagram, Facebook, and Snapchat, but will last 7 days instead of the 24-hour limit on Snapchat and Instagram.

Implications?

While Snapchat has struggled to compete with Instagram for ad dollars, it is unfathomable that the platform could successfully compete with YouTube. Even Facebook has failed to attract ad spend from YouTube, attracting video dollars more from third-party programmatic video budgets and benefiting from organic mobile video ad spend growth than competing squarely with YouTube. If Reels catches on (and that is a big “if”), Snap’s floundering could get even worse.

Facebook Drops Political Ads Transparency for Media

Earlier this year, Facebook announced a “paid for by” tag would be visible for all political advertisements on the platform, including posts by news outlets. So, for instance, a promoted story by the New York Times about Donald Trump would have a “paid for by The New York Times” disclaimer above the ad.

Facebook has added an exemption for media outlets, following pressure from the News Media Alliance, a coalition of 2,000 media outlets, including the New York Times and Newscorp, who ostensibly claimed the disclaimer would blur the lines between journalism and propaganda.

Implications?

This new loophole can easily be exploited by fake news producers if they can prove that they are news outlets to Facebook. In order to ensure that does not happen, Facebook will need to actively supervise and moderate political ads on its platform—using human beings, not just algorithms.

This is likely why Facebook attempted to avoid such an exemption in the first place, but now the added cost will materialize in 2019 as the company is slowly forced to become less of a technology company and more of a media company.

Hulu Interested in Streaming Live Sports

AMZN, CBS, DIS, FOX, FOXA, NFLX

Since the growth of NFL streaming on Amazon, NFL's own platform, and ESPN, advertisers have grown more optimistic that live sports on streaming devices can help make up for ratings shortfalls—and spending has already begun to flow in that direction. Now, Hulu hopes to attract some of that spending for itself.

This week, Hulu CEO Randy Freer said the firm was “evaluating sports as an opportunity”, after crowing that his company has grown “10x from where DirecTV was” during 3Q18.

Implications?

An expansion of live sports into streaming services is the natural evolution from tests over the last couple of years and the steady expansion of games offered through NFL and others, so it is very likely that Hulu would join the fray. The NFL in particular, although college football teams and NHL, MLB, and others as well, would unquestionably like to see more bidders vying for streaming rights, helping the price of streaming rights rise.

New York Times Accuses Facebook of Targeting George Soros

FB, NYT

In addition to attacking Facebook for being psychological unhealthy, inherently addictive, spreading false information, mishandling user data, encouraging murders abroad, broadcasting acts of violence, undermining American democracy, and fanning bigotry, the New York Times has a new angle in its crusade: espionage against investors.

Late last week, the paper of record reported that Sheryl Sandberg secretly asked the firm's communications staff to research George Soros's financial interests after Soros criticized the social media site and called for more government regulations of it and Google. The Times reiterated its previous reports that Facebook hired Republican-linked Definers Public Affairs and suggested the firm has since been accused of anti-Semitic attacks against Soros.

Implications?

While it's unclear whether the Times is attempting to tar Sandberg or Facebook as anti-Semitic (note: both Sandberg and Mark Zuckerberg are Jewish) or if the Times wants to send a message to institutional investors and ultra-high net worth individuals that

Facebook is an antagonistic player, it is obvious that the Times's continued attempts to tar the social media giant continue.

Whether this is an indicator that the paper feels this strategy has succeeded in attracting advertisers from Facebook or that the paper is doubling down on a losing strategy is unclear, but it is increasingly difficult to deny that the paper is in fact tirelessly targeting Facebook and will continue to do so.

Buzzfeed Attacks Facebook for Causing Paris Riots

FB

Of course, the New York Times isn't the only outlet criticizing Facebook from almost every angle possible (even if they are the most insistent): BuzzFeed News, who has spoken to advertisers and investors alike of the frustration in competing with Facebook for ad revenue while depending on Facebook for traffic several times over several years, has piled on with a unique critique: Facebook's algorithm "led to the worst riots Paris has seen in 50 years."

Buzzfeed's attack is as hyperbolic as it is ridiculous. The Yellow Jackets movement, according to them, "is a beast born almost entirely from Facebook... The Yellow Jackets communicate almost entirely on small, decentralized Facebook pages. They coordinate via memes and viral videos. Whatever gets shared the most becomes part of their platform."

But it isn't just that Facebook is as guilty for the riots as, say, the telephone was for organizing France's last just-as-bad riots half a century ago. It is a nasty side effect of Facebook's algorithm changes earlier this year, which, according to BuzzFeed, "interacted with the fierce devotion in France to local and regional identity," resulting in "the worst riots in many years—and in Paris, the worst in half a century." Yes, the writer mentions the half-century point several times in the piece.

Implications?

If you're old enough to remember a time when rock music was blamed for bad behavior or video games were blamed for school shootings, the internal logic here (though disproven by several sociological studies on media impacts on behavior) is as familiar as it is silly. But what is interesting is the relentless trend, which has not ended even as 2018 comes to a close, of blaming Facebook for just about every bad thing that can possibly be connected to it, no matter how tangentially.

Parliament Releases Treasure Trove of Facebook Documents

As part of its ongoing investigation of Facebook, the Parliament of the United Kingdom released a 250-page document including several internal emails as well as

presentations and memos from Facebook itself, all of which the body says are evidence of antitrust violations.

Implications?

While many of the documents are particularly damning, such as several instances of Zuckerberg approving moves to lock out competitors and others from APIs and data sources as retaliation of competitive practices or as an attempt to get an upper hand on them, the complexity of the technology and relationships involved makes it difficult to determine whether this is a clear case of unfair competitive practices or not. The documents do provide a fascinating insight into Facebook's ruthlessness in dealing with partners—a common complaint among PMDs and publishers. They also demonstrate a key secret to Facebook's success over the years: restricting data and access to data from third-parties when most advantageous to Facebook's best interests. Ironically, restricting data is also what regulators and legislators have been demanding Facebook to do more of in recent years.

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