How Does Social Media Make Money; Should It Be Regulated?

The term media refers to methods of communication that reach or influence people widely. Examples are television, radio, newspapers, magazines and the internet. In general TV, radio and the internet are regulated by the FCC. Newspapers and magazines are generally unregulated. Currently, regulation of the internet focuses on service providers and does not include social media platforms such as Facebook (FB), Twitter (TW), Instagram (IG), Google (GO), Reddit (RD), YouTube (YT), LinkedIn (LI) and the rest.

Social media has become pervasive in our lives. Over the past 10 years, the percentage of the U.S. population using some type of social media has gone from approximately 24% to over 80%. According to estimates (and these estimates vary widely), the number of worldwide social media users has reached over 1.9B and is projected to grow to almost 2.5B by 2018. A Pew Research Center report on U.S. social media usage in 2015 shows that social media usage is inversely proportional to age. For example, almost 90% of those 18 to 29 tend to have at least one social media account with the probability decreasing with age. Social media also has the greatest usage among those with the highest degree of education and those with incomes over $75,000 per year.

As part of the increased usage, the number of people who derive much of their news from these platforms is substantial. For instance, in 2016, approximately 62% of U.S. adults consumed news from some type of social media. News plays a varying role depending upon the networking site. For instance, 66% of Facebook users get news on the site while 59% of Twitter users do so. Reddit is even higher at 70%. However, after adjusting for the size of each platform, the actual percentage of the U.S. population getting their news from the respective platform is 44% for FB, 10% for YT, 9% for TW followed by 4% at LI. Interestingly, a majority, 64%, of social media users get their news from just one site. This is commonly FB. About a quarter of users get news from two sites and just 10% get it from three or more.

Depending upon the platform, users differ in how active or passive they are in consuming news on social media sites. FB, YT, and IG users are much more likely to get their news by chance when they are doing other things on the platform. In contrast, RD, TW and LI users are more evenly split between those who seek out news and those who come upon it by chance. So, given that many people using these platforms come upon their news by chance, how is the news that is presented to them being chosen by the platform? To answer that, you have to examine the business model of the social media platforms.

In general, most social media companies make the majority of their money using a model summed up by Facebook: If you do not pay for the product, you are the product. Which means that your time share is being sold to potential advertisers on the social network. But let's focus on FB, since it has the highest impact for news. Contrary to GO and TW, FB doesn't focus on selling your personal data. Rather, approximately 85% of FB's revenue comes from advertising. This revenue has to support a world class cloud infrastructure, salaries, etc. To maintain and grow this advertising, FB works to keep the user on its platform for as long as possible. They give the product away for free but then use every psychological trick in the book to keep the user spending as much time as possible on the FB platform. They intertwine your life with your friends and interests. In doing so, they get to know you better and use algorithms to find content consistent with your interests, beliefs and values.

If you are a Facebook user, you have probably noticed ads appearing that are relevant to a topic you have been discussing or perhaps an ad that a friend has "liked"? That is enabled by advertising tech that covertly tracks what you do online and then sells access to you to the highest bidder.

An example of how social networks target individuals occurred in the last election. In November, Congress released some of the 3,000 FB ads and TW accounts created by Russian operatives to sway American voters. These disturbing messages, which were seen by up to 126 million Americans, raise significant questions regarding the vetting done by these social media platforms and the potential need for regulation.

It turns out that it's not only traditional marketers and legitimate political campaigns that are buying access to you but also Russian trolls hoping to manipulate you. It is very probable that you were targeted if you liked the FB page of either Trump or Clinton. They also targeted people interested in the topics related to the South, Dixie, Martin Luther King, and others ranging from gay and lesbian groups to the Muslim Brotherhood.

The advertising system of FB is highly automated which means that no human checks ads before they go online. The Russian trolls used legitimate sounding names for their groups such as "Donald Trump America". Both FB and TW say they removed posts they now suspect to have "inauthentic" Russian sources. Russian agents also used an ad technique based on tracking and following you around the web. For example, if you clicked on a troll website masquerading as legitimate, the site would tag you and allow the trolls to "retarget" ads to you elsewhere around the web.

Another effective tactic used by Russian trolls was to trick celebrities and our own friends to get to us. In 2016, a famous rapper retweeted a message about a shooting from a legitimate sounding twitter handle which looked like the Tennessee Republican Party but was in fact a Russian troll. The post was retweeted and "liked" over 24,600 times. Many unsuspecting individuals shared such posts in what the industry calls "organic" promotion. On FB alone they reached 126 million Americans.

Hostile foreign states are aggressively pursuing cyber weapons as a means to neutralize the influence and power of the United States. (See paper on U.S. infrastructure as one example) As part of this weapons suite, social media has been and is currently being used to sharpen divisions and cause discord within the United States. False stories and advertisements planted in social media and spread via citizens and groups with their own agendas promote this discord.

The problems of false narratives causing social unrest are worldwide. Possibly the most famous and insidious in the US was "Pizzagate." This rumor spread rapidly through Twitter and Youtube. In the end a deranged person with an automatic weapon terrorized customers in a Washington, D.C. pizza parlor. The story of Pizzagate is about what is fake and what is real. It's a tale of a scandal that never was, and of a fear that spread through channels that did not even exist until recently. In this case no one was injured, but the potential for violence was real. An oddly disproportionate share of the tweets about Pizzagate appear to have come from, of all places, the Czech Republic, Cyprus and Vietnam.

Business Models:

https://www.investopedia.com/ask/answers/120114/how-does-facebook-fb-make-money.asp

https://www.investopedia.com/ask/answers/120114/how-does-twitter-twtr-make-money.asp

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Thoughts on Regulation:

https://techandpublicgood.com/2017/10/24/how-should-governments-regulate-facebook-and-other-social-media-platforms-proposing-a-new-paradigm-to-regulation/

http://theconversation.com/regulate-social-media-platforms-before-its-too-late-86984