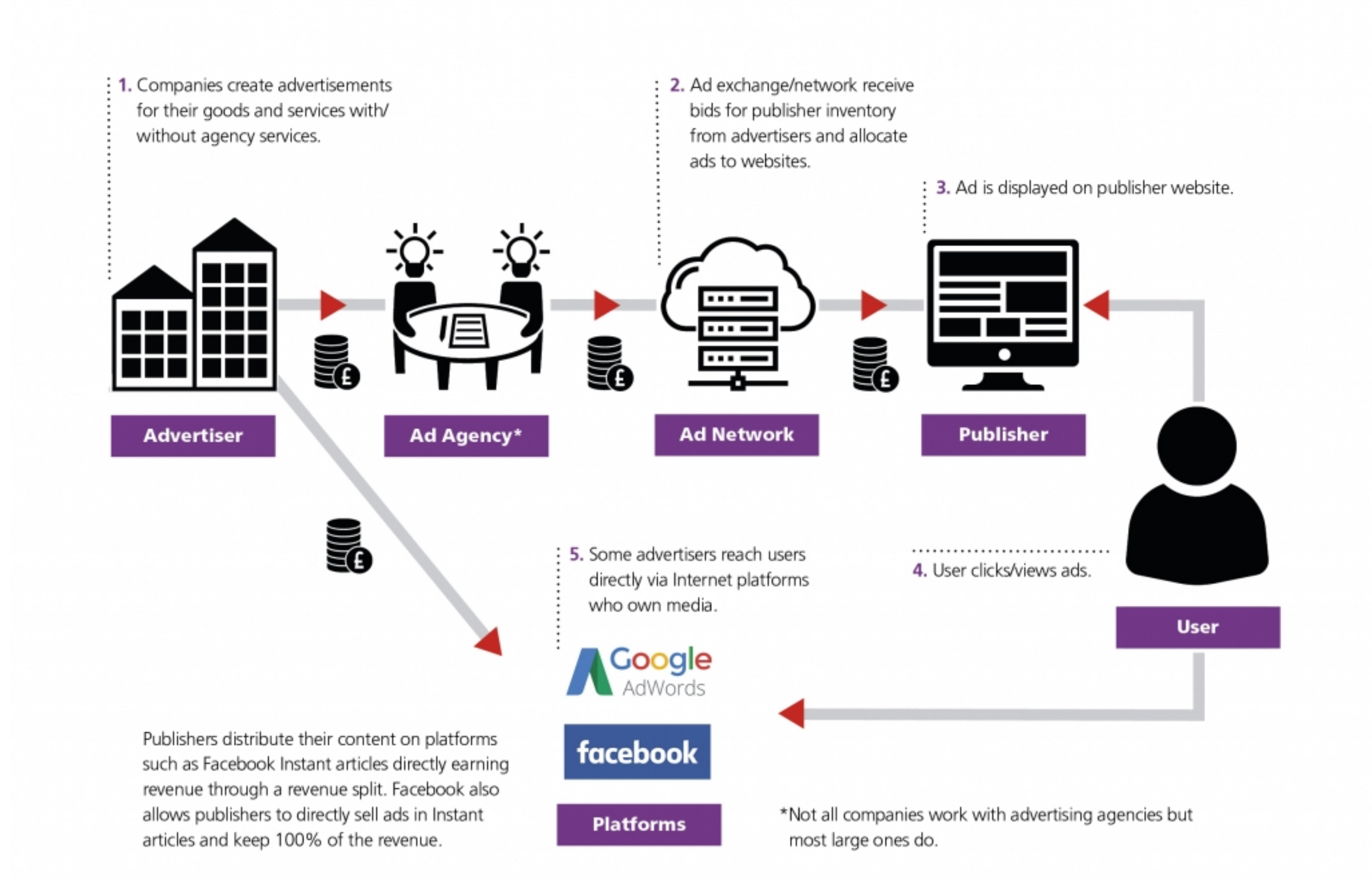
How advertising fuels fake news

In this second post in our blog series on "fake news", Damian Tambini illustrates the underlying structures of the online advertising industry that make fake news lucrative.

One of the questions in the UK Parliament's inquiry into "fake news" asks: "Have changes in the selling and placing of advertising encouraged the growth of fake news, for example by making it profitable to use fake news to attract more hits to websites, and thus more income from advertisers?"

This question is arguably the most important the committee asks, because it invites an analysis of the economic structures that support fake news. It enables us to cut through philosophical questions about 'what is truth' and the political uses of the idea (e.g. by Trump) and ask whether something has changed in the media system which would explain the apparent proliferation of "fake news".

The graphic below summarises the money-go-round that incentivises distribution of any content that is "shareable" and resonant, in contrast to the previous ad model that tended to support news that goes through an (expensive) process of verification or meets a quality standard.



Here's how it works:

1. *Programmatic* advertising, that is advertising sold automatically on the basis not of which outlet or news brand it will appear in, but on the basis of how many 'clicks' or views it will receive from a target

demographic, is bought by an advertiser. This is important: The company now pays for clicks and views, not news.

2. The ad agency, usually through an intermediary, an ad network or a platform such as Google or Facebook, operates a real-time auction which is entirely automated. It serves ads to end users, charging advertisers and transferring payments for each view from advertisers to publishers while taking a commission. In case where the intermediary also owns the media space such as Google or Facebook they get to keep the whole fee.
3. The publisher, and this could be either a legitimate news company, or a bogus fake news boiler house operating out of Macedonia or Moscow, also contract their inventory with the ad network, and with intermediaries such as Facebook and YouTube, thereby receiving revenue from a number of platforms proportionately to the number of views and shares they receive. It is in the interests of the publisher and intermediary and sometimes but not always the advertiser, to maximise the views of any news article. More views equal more clicks, more clicks equal more revenue for publisher and intermediary and more web traffic or brand exposure for the advertisers. In some cases, it is not in the advertiser's interest to appear next to questionable content.
4. In a hypothetical example, a publisher who uses Facebook instant articles to distribute their content could choose to put ads next to the content. A video ad for example is reported to have a 55:45 revenue split in favour of the publisher. If the article was to achieve a reach of 500,000 users with a cost per thousand impression of $7.19 (the average cost every time the ad was seen by 1,000 people), this would mean $1,977 for the publisher and $1,617 for Facebook.

Who wins?

Arguably, publishers who perfect the art of distraction are the biggest winners in this system.

It could of course be argued that it was always the case that cheap, vivid-if-dubious content paid, which is why of course newspapers always published 'fake news' that would attract idle consumers standing at supermarket checkouts. But the new system bypasses the checks and ethical balances that had evolved in most Western press systems: freedom of the press was always subject to balancing rights, and self-regulation and professional ethics which encouraged accuracy and responsible journalism.

The platforms also benefit. They are dependent on consumers spending more time with sticky content, and also arguably benefit from the current power shift away from traditional news publishers. Ad agencies, ad networks, and the networks and service providers that provide net access to consumers all benefit.

There is a reason that the impacts are being felt globally and have even been linked to 'post truth' politics more generally: This shift in advertising models is not something that is happening at the margins: it is a massive structural change transforming media systems everywhere.

We are no longer talking about garish front pages of the National Enquirer, or the Sun claiming that "Freddie Starr ate my hamster". The Sun at least did operate within some semblance of ethical self-restraint, however flawed the PCC was. The new publishers can be anywhere in the world, perhaps including countries that have a foreign policy interest in using fake news to undermine national security or delegitimise democracy.

Like the notorious "50 cent" bloggers in China, these proliferate fastest when a multi-sided market can be established. If publishers are not only able to access revenues from advertisers and platforms, but also from government clients of one kind or another. From a democratic point of view the sad thing about the new ecology is that it feeds on the civic trust that it destroys: duping consumers into sharing content, by harnessing their civic emotions and polarising political ideologies. The most shareable news is that which confirms our prejudices and those of our networks.

In sum, what this new advertising ecosystem does is establish a much more direct economic link between the resonance and share-ability of individual articles and economic reward. It also enables smaller publishers to thrive outside the ethical and self-regulatory constraints which in the past tightly reinforced an ethics of truth-seeking. So the answer to this question of the inquiry is 'yes'.

The first post in this series asked how governments and industry have responded so far to the issue of "fake news". The next post in this series will examine what else can be done about this big structural shift in our news ecology – and also what shouldn't be done.

This post gives the views of the author and does not represent the position of the LSE Media Policy Project blog, nor of the London School of Economics and Political Science. The author thanks Sharif Labo for designing the graphic used in this post.

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