

INSIGHT

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Telecom, Media & Technology Practice

Looking Beyond Facebook's Trying Relationship With Newspapers



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Over the last few weeks, Facebook has announced multiple changes to its newsfeed which we believe will have a profound impact on newspapers. Facebook is:

1. Reducing news and other advertising related content significantly;
2. Initiating trustworthiness surveys to prioritize more content from trusted sources; and
3. Prioritizing local news stories over national news.

As a result of these changes, newspapers are sure to see sizeable referral traffic declines which in turn will lead to reduced website traffic. Preliminary data tracked by parse.ly already indicates that Facebook as a referring source of traffic has declined ~20% globally from the changes rolled-out internationally in the past 12 months.¹ The graph also shows other social platforms do not provide meaningful referral traffic and can't make up for Facebook referral losses.

Making matters worse, by Facebook's own measurement, time spent on Facebook declined by a total of 50 million hours a day in Q4 2017.² According to Reuter's 2017 Digital News Report,³ 45% of online users get news from Facebook in the form of FB Instant articles or links back to publishers' websites – driving both digital traffic and advertising revenue for the newspapers.

As Facebook users spend less time on the platform and see less content from publishers in their newsfeed, newspapers are likely to see both traffic and revenues decline. Such declines will need to be offset by either increased Search or Direct traffic - which will not come easily. And since most newspapers have already maximized their efforts on direct traffic reach, the loss of referral traffic may not be replaceable. The only other option would be to buy traffic, but this is often not cost effective.

Referral Traffic from Google & Facebook
(Jan. 2017 – Jan. 2018)

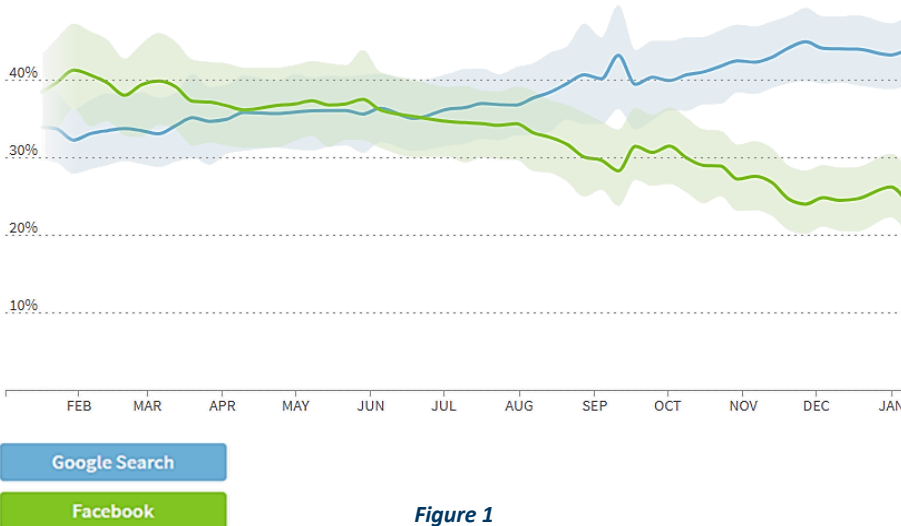


Figure 1

Referral Traffic by Platform
(Jan. 2018)

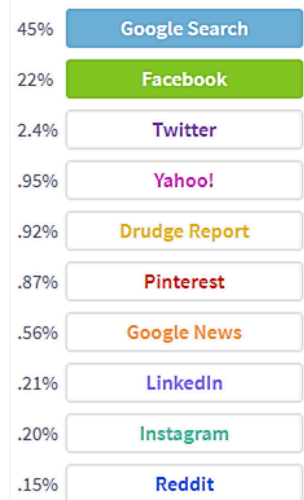


Figure 2

Content Sources:

1. Parse.ly, 2018: [Source](#)
2. CNBC, 2018: [Source](#)
3. Reuters Institute Digital News Report, 2017: [Source](#)

Figure Sources:

1. Parse.ly, 2018: [Source](#)
2. FTI Thought Leadership

The table below outlines the potential impact of referral traffic loss from Facebook.

Impact of Losing Referral Traffic from Facebook			
Facebook Posts			
	Instant Articles	Publisher Website Links	Suggested Advertising
Impact of Changes	Articles will feature less prominently within the newsfeed	Posts will feature less prominently within the newsfeed	Advertising will feature less prominently within the newsfeed
User Engagement	High	High	High
Revenue Impact	High: <i>Directly impacts advertising revenue share with Facebook</i>	Medium: <i>First impact will be on Publisher's unsold/remnant inventory; secondary impact will be on low CPM programmatic inventory</i>	Medium: <i>Publishers' advertising intent will continue to focus on user acquisition (gaining followers) who will in turn be exposed to Facebook Posts for revenue</i>

Figure 2

For many newspapers that drive Facebook traffic to their own websites and have unsold/remnant inventory, these changes may not have a major impact on revenues. But newspapers will not be able to avoid the affect that reduced traffic will eventually have on direct sell inventory.

Bottom Line

This latest shift by Facebook could be another blow to newspapers' digital ad revenues because display and search may continue to decline. Facebook has long benefitted from its use of newspaper content to drive of social engagement, and that benefit may lean more toward the platform. Facebook may have to reverse its tactic of de-emphasizing news if users' time spent continues

to decline. But in the end it really doesn't matter, because display ad prices will continue to decline.

Perhaps it is understandable that Facebook has shown no real interest in forming true partnerships with newspaper and magazine publishers to strengthen the role of quality journalism. It is a successful digital giant, and has full policy agendas. However, if it appreciated the role of major newspapers in providing credible content, such cooperation would be mutually beneficial.

The bottom line is newspapers, and soon magazines, need to look beyond digital advertising as their chief online revenue strategy and instead should establish a relationship with their users as paid subscribers.

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Views expressed here are those of the authors alone, and do not represent the views of FTI Consulting, Inc. or any of its other employees.



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