

Alphabet and Meta's Next Move: Dominating News with AI



Over the last 25 years, we have witnessed the transformative power of the internet and social media platforms in shaping how content is created and disseminated. As a founder deeply engaged in the evolution of technology, I see Meta and Alphabet standing at an inflection point, where their potential entry into news production could disrupt the media industry once again. This strategic pivot is driven by a convergence of factors, including economic pressures, regulatory scrutiny, challenges within the user-generated content (UGC) model, and most importantly, the revolutionary prospects of artificial intelligence (AI).

Current Landscape

The prevailing UGC model, which has been the cornerstone of platforms like Facebook and YouTube, is showing signs of strain. As content volumes have skyrocketed, issues of quality control, misinformation, and economic sustainability have become increasingly apparent. Users are grappling with content fatigue, inundated with a deluge of unreliable and low-quality material, while the ad-driven revenue model underpinning UGC faces threats from ad-blocker usage, declining engagement rates, and the shift towards ad-free subscription models.

This vulnerability is compounded by the failures of decentralized technologies, such as NFTs and blockchain, which promised a revolution in digital ownership and creator autonomy but largely failed to deliver stable and sustainable models for content distribution. Consequently, the dependence on centralized platforms like Meta and Alphabet has only grown stronger, reinforcing their dominance.

Generative AI Revolution

The advent of generative AI represents a groundbreaking shift in technological capabilities that could catalyze tech giants' entry into news production. Having designed almost a decade ago, a Simpligic, a U.S. patent-pending news app that uses machine learning to personalize the user experience, I understand how Generative AI models can produce content increasingly indistinguishable from human-created work, whether writing articles, producing videos, or generating images. This capability promises to drastically reduce the costs associated with producing high-quality, diverse news content while maintaining a high degree of control over the narratives and information disseminated.

A critical factor driving this shift is the impact of AI features like Google's AI Overview, which may reduce click-throughs to news organizations' websites. As these organizations lose revenue and potentially cease to operate, Google faces the risk of a news drought, where there is insufficient original content for their AI to aggregate. To prevent this and ensure a steady supply of high-quality news, Google may find it necessary to source or produce their own journalistic content. The recent fiasco with AI Overview launched at Google I/O 2024, where it provided incorrect results in Google search, further underscores the need for Google to produce or acquire its own news and factual content. By controlling the source of information, Google can ensure the accuracy and reliability of the content delivered through its AI systems.

Similarly, Facebook is likely to follow this path as its algorithms increasingly prioritize AI-driven content curation, potentially undermining traditional news sources and pushing the platform to create or acquire its own content to maintain user engagement and feed its AI systems. Furthermore, as the pursuit of Artificial General Intelligence (AGI) gains momentum, the potential integration of complex data analysis with human-like reasoning could transform news production into a more dynamic, responsive, and personalized process. Tech giants could leverage their vast troves of user data to tailor news content to individual preferences and contextual relevance on an unprecedented scale, offering a highly engaging and curated experience.

Industry Transformations

Examining how major industries have navigated technological upheavals provides a blueprint for how Meta and Alphabet could dominate news production through AI. The telecommunications sector's re-consolidation after AT&T's breakup, with players

vertically integrating across infrastructure, content delivery, and services, offers insights into achieving control over the full stack.

Similarly, the automotive industry's pivot to electric vehicles witnessed established automakers investing billions to insource EV design and production capabilities to compete with Tesla's vertical integration. The pharmaceutical industry's continuous consolidation through mergers and acquisitions to bring more of the value chain in-house, from drug discovery to manufacturing and distribution, underscores the strategic value of vertical integration in harnessing new technologies effectively.

These examples highlight that industries often re-consolidate and vertically integrate to harness disruptive innovations most efficiently. With their AI prowess and power over digital distribution, Meta and Alphabet are well-positioned to vertically integrate news production, potentially dominating this sphere as consolidated entities have seized control in other sectors.

Stakeholder Motivations

The path to Meta and Alphabet dominating news production through AI could be paved by the converging motivations of various stakeholders:

For the engineering and product talent at these tech giants, producing news content in-house presents an enticing challenge to tackle through technological innovation. Leveraging AI to optimize content creation, curation, and personalization aligns with their core mission of solving complex problems at scale. Building vertically integrated news products allows them to push boundaries in fields like natural language processing and generation.

While traditional media has notoriously low margins, investors may be drawn to tech giants' potential news and content offerings due to their ability to extract higher value. With AI reducing content creation costs drastically, adding news and content as a premium subscription service alongside existing offerings could boost revenues and margins. Investors envision vertically integrating the full media value chain under one umbrella, unlocking sustainable profitability that has eluded legacy media.

A major regulatory concern is the fear of further consolidation and monopolistic power. However, Meta and Alphabet could leverage this pivot to address the decline of local journalism by committing to hire local reporters, journalists and content creators at scale across regions. The cost of rebuilding these vital journalistic networks would be negligible for the tech giants compared to the high margins and strategic value unlocked.

Robust local news bureaus under the tech giants' banners could foster transparency and accountability. An on-the-ground presence of journalists in communities provides a

counter-narrative to fears of news being overly centralized. While not alleviating monopolistic concerns entirely, this decentralized local strategy could reinforce their commitments to investment, job creation, and ethical journalism standards.

Critics may argue that local reporters would still be beholden to the tech giants' corporate interests and AI-driven workflows. However, by structuring local news operations with reasonable editorial independence and strictly upholding journalistic principles, the tech giants could build credibility. Ultimately, the resources they bring may be the best systemic path to sustaining local news in an increasingly centralized media world.

Moreover, the nature of AI model training – ingesting massive datasets to extract patterns – makes content production through AI amenable to economies of scale. With unmatched advantages in data, compute, and AI talent, Meta and Alphabet could make news one of the most scalable content categories to bring in-house.

Regulatory Alignment

To alleviate concerns posed by regulations such as the European Digital Services Act (DSA), the US Communications Decency Act (CDA) Section 230, Australia's News Media Bargaining Code, Canada's Online News Act, and India's Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, Alphabet and Meta can ensure their AI-driven news production aligns with these laws by embedding transparency, accountability, and ethical standards into their operations. By adopting stringent content moderation and transparent reporting practices, they can demonstrate compliance with these regulations, ensuring AI-generated content adheres to legal and ethical guidelines. In Australia and Canada, they can invest in local journalism and hire local reporters, fostering local news ecosystems. Establishing robust local grievance redressal mechanisms in India will further build trust. By integrating these regulatory requirements, Alphabet and Meta can support their case for in-house news production while ensuring global compliance, thus fostering stakeholder confidence and trust.

Global historic trends

In an era of global economic slowdown, Meta and Alphabet, as leading advertising powerhouses, are poised to leverage their financial strength to consolidate valuable content creators under exclusive contracts. By controlling foundational AI models, Meta

and Alphabet, along with OpenAI, can fortify their dominance and reduce costs, boosting profits through vertical integration.

This strategy finds precedent in other industries. Sony's acquisition of Columbia Pictures for \$3.4 billion in 1989 allowed it to invest strategically in content creation and gaming adaptations. Microsoft's \$68.7 billion acquisition of Activision Blizzard in 2023, the largest in the gaming industry, exemplifies the value of integrating diverse operations. Apple's launch of Apple TV+ and acquisitions to bolster its content library, along with Netflix's transformation into a leading movie studio through original content, further illustrate successful vertical integration.

Amazon's acquisitions also underscore this trend. The company acquired MGM for \$8.45 billion to enhance its Prime Video content library and produce original movies and TV shows. Amazon has diversified its content offerings by employing and contracting authors through Audible and expanding its grocery business by acquiring Whole Foods for \$13.7 billion. Jeff Bezos' personal acquisition of The Washington Post is another example of strategic investment in media.

Outside the US, similar trends are evident. Jio Platforms, owned by Reliance Industries in India, acquired controlling stakes in media companies like ALTBalaji and Eros Now, forming a content-rich JioTV streaming service. Reliance Industries' merger with The Walt Disney Company's India operations to form an \$8.5 billion entity underscores this strategy. In China, Tencent's \$83.6 million acquisition of China Literature aims to adapt web novels for film and TV. Japan's LINE, acquiring Livedoor, and South Korea's Naver, acquiring Wattpad, also reflect this trend in boosting content reach and expanding global media content.

These examples highlight a clear trend: industries often re-consolidate and vertically integrate to harness disruptive innovations efficiently. Microsoft's experience with MSN and AOL's merger with Time Warner serve as cautionary tales from which the new generation of tech leaders have learned valuable lessons. Meta and Alphabet, with their AI prowess and control over digital distribution, are well-positioned to apply these lessons to news production, potentially dominating this sphere as consolidated entities have in other sectors.

Conclusion

While pursuing in-house news production may seem an unlikely foray, Meta and Alphabet's potential move into this space through AI represents a significant shift that could reshape the media landscape. The economic incentives of stabilizing revenue

streams through premium content offerings are immense. By vertically integrating the full news value chain with cutting-edge AI capabilities, these tech giants could unlock sustainable growth and profitability that has eluded the legacy media industry.

However, this transition is not without challenges. Maintaining high journalistic standards to build trust and credibility is crucial. Any perceived failure in journalistic integrity could exacerbate public and regulatory concerns, potentially leading to further antitrust scrutiny and reputational damage. Additionally, the move into news production could be seen as stifling competition in the media space, attracting additional regulatory hurdles and potentially hampering growth prospects in emerging markets with surging media consumption.

Ultimately, the success of this endeavor hinges on striking a delicate balance between technological innovation, responsible content dissemination, and upholding the principles of a free and transparent press. Meta and Alphabet have the potential to revolutionize the news industry, offering personalized and engaging content on an unprecedented scale. This challenge will shape the future of news and media in the digital age, positioning these tech giants at the forefront of a new era in information dissemination.

For founders and business leaders, the implications of Meta and Alphabet's likely moves are profound. As we witness these tech giants leveraging AI to enter new domains, it's a reminder that innovation and disruption are constant forces in the business landscape. Founders must stay vigilant and adaptable, understanding that the convergence of AI and media will influence consumer behavior, regulatory environments, and competitive dynamics.