

ECONOMY OF THE FAKE NEWS: BUSINESS SIDE AND EFFECTS

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ABSTRACT – *Since the most of the researches and analyses are directed to the impact of the fake news on politics and the society, there is more or less underdeveloped field – economic side of the fake news and their influence on the business and sales. Therefore, this paper presents and analyzes some of the most important economic consequences of the dissemination of fake news in the contemporary media landscape. A position is presented, that the fake news are not only a tool for manipulation and imposing some interests, but also a business, that generate incomes through opportunities that digital marketing and sales tools give. In addition, there are reasons to state, that they can lead to the negative consequences for companies – resulting mainly in loses and missed benefits, as well as image issues. Based on the analysis, some recommendations and suggestions for new strategies are presented as well.*

Keywords: *fake news, image, media*

INTRODUCTION

It is obvious, that last years we are witnesses of an increase of the fake news in the public sphere. This is not unusual – no matter that this phenomenon, as stated by many professionals in the sphere of media and communications, dates from centuries, its dissemination nowadays is epidemic. And actually during the last months it appears, that fake news are not only related to politics and in this relation are predominantly negative, but can touch actually every side of the life of the people. A recent proof – a story published in an unknown website in Bulgaria, that Boyan Petrov, a famous mountaineer, was found alive, since he was not. Besides the anti-human side of this activity, it actually appears that sometimes one of the main drivers of the creation and dissemination of the fake news is not political interest, but simply traffic to the website, based on a hot current topic.

Prior to going deeper into this specific business side of the fake news, it is good to point attention to some general concerns – related with the fake news in the contemporary society, along with some important theoretical grounds.

MATERIALS AND DISCUSSION

The opinion, that Internet and digital media are providing extremely favorable environment for the dissemination of fake news, is very stable and common among professionals as well. Although it has not been discussed that the rapid development of digital media starts long before the explosion of the fake news, it is clear that a typical feature of misleading negative information is its existence and dissemination predominantly online, and

later it could spread through traditional media. As a main reason for that is the fact that consumers are rarely checking the accuracy of the information, which is disseminated online. And, as a rule, they are more likely to share negative information than positive, which makes them participators – this is an issue that requires separate attention. Moreover, it is obvious, that a lot of people especially young ones, prefer to inform themselves through online sources, including for important topics, related to the development of the society – recent researches show this (for example, in Hristova, 2017).

This is related with the dissemination of fake news, fueled by public trust and information interests of some political or economic circles. Much more often it comes from political ones, but before discussing that, it is important to pay attention to the essence of fake news and their potential for impact, which has negative consequences for businesses.

Overall, despite the huge attention on behalf of media, politicians, PR professionals, digital experts and others, the existence of fake news is still accompanied with some uncertainties. We really still don't know what actually happens and how they actually function – how big is their volume, who produces them, who and why reads them. Besides this, it is clear enough that the volume of incorrect information is increasing because of the specific economic interests – from financial benefits of a certain users to multiple political and corporate interests (Vasileva, 2017).

In addition, having in mind the concepts of attention economy and information economy in contemporary world, we know that consumer's requirements to media and public content are developing. By a time when flows of data replace flows of goods, and the new media are coexisting with the traditional ones; the economic value of information depends on the satisfaction that it creates and the opportunities for action (Zlateva, 2008). Therefore, the attention to a particular type of information, as well as struggle for it, becomes important. "Numerous media compete for the limited resource of attention, that a person can afford, and since the publicity gives importance to the organization or a person, in the battle for the hearts and souls of the audience more professionals are coming over" (ibid.). This is crucial in terms of understanding of the genesis and development of the fake news – they are created in a way that enables them to catch people's attention fast and easy, without paying attention on the content and, of course, the truthfulness.

RESEARCH – THE LEVEL OF INFLUENCE

The dissemination of the fake news is significant and problematic, according to a lot of professionals, but it is important to make an adequate evaluation regarding the power of impact and their effects – both political and business sides and specifically on companies. This should be made independently of other close phenomena as information wars, ethics, and professional behavior in journalism, political and economic corruption conflict of interests, which extend far beyond the simple informational nature of the fake news. Looking at these bigger and probably more important issues, however, prevents from finding a solution good enough for dealing with them.

Obviously, the main problem with the fake news is the negative effects that they bring. In more serious cases even may be needed intervention from the affected people. However, by this moment it can be stated that the consequences are negative, perhaps much more in terms of image than financial, and both of them is still difficult to be empirically verified. This is especially important when we have in mind their economic effects. Apart from this, there are studies which show that generally it does not seem difficult for readers and viewers to separate true from false information, but in many cases this does not happen

(Wineburg et al., 2016). The issue is not about that people are stupid or trustful; it is about the fact that the news format is easy to imitate and even some real stories are more unusual than the fake ones. Because of that the distinction is becoming more and more difficult. Other publications on the topic, however, emphasize that it is visible how false news have their negative impact, but that can hardly be supported by any relevant figures. We still don't know what is the real impact – whether and to what extent the reading of a post or a “like” on Facebook means significant change (Carson, 2017).

One more thing that is extremely important – the reasons for dissemination of fake news are few and they are absolutely clear. First of all, they are easily interpretable among the overloaded information environment, respectively, are more suitable for adoption. More importantly – they sound credible. Fake news do not correspond to the truth, but they look like they do, affecting possible and scary facts on topical issues.

The question of the effects, of course, is also related to the issue of dissemination. In this sense, fake news are very close as a mechanism of impact to the rumors as a tool of information or rather for misinformation. The rumors are online – so as the fake news. As well as the rumor it is created by others – by those who share it and talk about it (Antova, 2017).

ECONOMY OF FAKE NEWS

By that moment almost everything, related to the fake news is concentrated in the field of politics and entertainment industry. Despite the saturation of the information environment on this topic, the discussion regarding fake news in business and the economy as a whole is insufficient. This status quo definitely requires more attention to their dissemination in the field of business, no matter of the fact that it remains less damaged by their destructive actions than politics and civic movements. The topics of the discussions are mainly regarding the change of attitudes, spoiling of media environment, manipulating public opinion, information wars, and unethical communication practices. And very rarely from the research point of view professionals are talking about the pure business side of the fake news, their effects on companies, impact on sales and on consumer satisfaction, on share prices of public companies and other economic and business aspects. Especially low attention is given to the fact, that fake news are simple and more or less productive way to earn fast profits.

Yes, the simple business side of the fake news is related to the fact that in a lot of cases, maybe much more than the public attention presumes, they have clear business side and have almost nothing to do with the politics, Trump or manipulation. It is very clear to understand – since they are loud and clickable, they attract attention and visitors to the website they are published. This happens both directly and even more, through social media, where a lot of people are sharing these news. Without a real estimation and empirical proof for this, based on unofficial statements, fake news can attract between 60% and 220% more visitors to the website where they are published. Then, through the mechanism of affiliate marketing and sometimes with remarketing techniques used, these clicks bring revenues to the owners of those websites – who actually are mostly anonymous. Affiliate marketing allows exactly this – a given merchant rewards its affiliate (in this situation – the source of the fake news) for each visitor or customer brought by the affiliate's own marketing efforts. Therefore, it is hard to say that they are media, since in fact they have media content, but it is more or less related to the idea only to attract visitors, not to act as media in its full potential.

An important statement can be added to this. According to two researchers at Reuters, working with the notions of fake news, their sharing and dissemination, it is recommended to

“avoid conflating ‘use’ and ‘trust’. Throughout the twentieth century, people consumed news from sources they said they had little or no trust in. Today, some of the most popular newspapers in Europe are tabloids that often find themselves at the bottom of trust rankings. This helps us understand why the use of social media for news can grow even as trust levels are relatively low.” (Newman, Fletcher, 2018) This also explains some of the mechanisms of the economic influence of the fake news, especially the motivation of their use, which is the driving force of those affiliate marketing tools.

FAKE NEWS AS BUSINESS

Therefore it is really important to pay attention on the economic reasoning and what are the economic benefits of the fake news. First, there are benefits for the owners of the news media or the websites, which publish and disseminate them. Even if they have no political and economic relations or dependencies, they have them to generate traffic, respectively, to have larger audience.

In this relation, it can be stated, that the fake news have very simple, but interesting business model behind them. It actually consists of three main parts:

1. **News platform.** It can consist of a website, made on one of the free platforms, and pages in social media. Currently, Facebook and Twitter has allowed people to exchange information on a much larger scale than ever, and the ability to publish platforms like WordPress has enabled everyone easily to create a dynamic website. Thus, the big barriers to the creation of fake news have been cancelled – the costs of publishing and dissemination have reached zero (Carson, 2017). The platform can be filled with current news and other content with shocking headlines.
2. **Advertising content.** Clickable content goes together with clickable advertising banners – announcing big discounts, appeals to the desires of the people as for example their health or intention to lose weight. Social ads can be also promoted there, remarketing tools are also used – which enables sites to show targeted ads to users who have already visited their site.
3. **Online shop.** The banners and the links are leading to an online shop, which can operate independently or have the same ownership as the website with the fake news. In most of the cases it promotes disputable products – medicines, clothes and accessories, sometimes fake ones. As a rule, the ownership is not disclosed.

FAKE NEWS IN BUSINESS – THE NEGATIVE EFFECTS

Again: fake news has become powerful tool to promote certain interests. They can be used even more actively for the pursuit of political and especially economic interests, and as such can be used in the competition – which is completely unethical, of course. All this increases the importance of fake news in the business and the need to deal with them – no matter of the fact that at the moment their economic consequences are hard to be empirically proven.

Still, it can be stated that, and there are enough reasons to believe, that the negative economic consequences of fake news in business are similar to those of any other kind of negative information. As it is stated in relation with a recent case with Pepsi; “it is clear that

companies can experience significant reputational and financial damage from fake news” – (Reid, 2017: 60). In this sense, and based on general outcomes and with a certain degree of approximation, the negative effects and the economic consequences of fake news can be systematized into five main groups.

Decrease of the trust in some markets. This is not about negative consequences for companies or people; it is about the erosion of confidence in a given sector as a whole, which indirectly can influence all the companies in it. Politics and the economy are closely related, and while panic can be spread to the markets as a result of fake news, such information can also eliminate the trust in the industry as a whole. All this, including saturation of negative public information, will have an impact on some investment decisions, and on stock markets – a decrease in stock prices.

More restrictions and regulations. As can be understood from the above mentioned position of the European Central Bank, the possibility of free circulation of fake and negative information also impulses the introduction of more and perhaps more strict market regulations. To a certain extent, this would be entirely reasonable, and yet businesses generally are developing better in the situation of freedom than regulations, and in this sense whatever they are, it would restrict entrepreneurial energy – especially in some sectors.

Decrease in sales of the company and in the industry. Based on case-by-case observations, it can be argued that fake news and unfair negative information can lead to a decline in sales of a particular product. We are actually witnesses of a significant difference with the policy sphere – if fake news to the detriment of a candidate has the potential to “give” votes on his opponent, this is not the situation in the business – there is a decline in sales and trust not only of the given brand, but of the entire product category. Probably it is the most visible in the banking sector.

Damages on the corporate and industry image. The reasoning here is the same – negative information, especially if it is systematic, seriously damages the image of both the company and the whole industry. This is the role of the professional organizations – to create and acquire trustfulness based the common interest of the companies in a given sector.

Financial losses and need of additional resources. It is obvious that the decline in sales and image damage has the potential to lead to financial losses as well as lost profits. Additionally, dealing with fake news and minimizing negative effects requires the engagement of additional resources by professionals and communications specialists, which also contributes to increase the costs.

FUTURE TRENDS

The issue of lies and misinformation has always been at the forefront of the agenda of the media and PR. Obviously, the untruths are inherent in our live, and researchers in the field of ethics in PR claim that pure truth is impossible and that professionals “do not have to object to their own absolute honesty in conditions where audiences are skeptical anyway with respect to the truth communicated to them, and therefore professional communicators does not have the right to fill the information channels with more semi-truths or untruths (Parsons, 2016).

And yet, the extremely serious attention to the phenomenon of fake news lately, which already came to a question, is related with a really huge war already initiated against them. The presidential campaign of Donald Trump, the campaigns of the supporters of Brexit and several large and many smaller cases actually showed total unacceptability and danger of fake news. This quickly led to a really significant professional and institutional reaction

against them, expressed violently and strongly enough. By the end of August 2017 even the European commissioner for Digital Economy and Society Mariya Gabriel announced the launch of a campaign against the dissemination of fake news. The owners of the main social networks also claimed to take action to limit them. The traditional media, partly felt the danger for media content, also have actively involve through campaigns and clearly expressed statements, including some examples in Bulgaria. The professional organisations in the sphere of PR – Bulgarian Public Relations Society and Bulgarian Association of PR Agencies also undertook some actions.

Many institutions and the media have initiated statements or struggle with them in the political and social sphere, in the economy this happened at a later stage. It was not until November 2017, when a representative of the European Central Bank stated that fake data threaten the economy and financial stability – similarly as the fake news in the economy (ECB, 2017). This type of statement is loud enough, but is highly declarative. There is something behind it that is probably more than clear to all who pay attention to the fake news business in the business.

For some reasons it is clear that the majority of recent corporate fake news incidents have had political undertones. However, there is a danger that a company could be targeted for other reasons, either financial (manipulating share prices; generating online advertising revenue from the subsequent traffic) or emotional (dislike of brand or corporate leaders; disgruntled employees; highlighting an issue by creating a “poster boy”; etc.). Companies therefore need to have the correct resources that can filter out the inconsequential content, highlight the trusted content sources, while also alerting them to the most impactful and dangerous fake news (Reid, 2017: 62).

Still, the change towards a better environment should be made by professionals, including in the field of fake news, despite fluctuations in their effects. Sustainable interaction between business, political, media and PR professional, and a war against this phenomenon (as it exists by now) are the most important prerequisite for success.

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