SWCP Portal
May 2021

Profits and Perils of Big Tech

The deadly pandemic that has gripped the world for more than a year now has been a real nightmare for the entire human race. But for the firms dominating the internet, it's been a huge, unique bonanza.

The Big Five tech giants – Alphabet (Google), Amazon, Apple, Facebook, and Microsoft – combined **yearly revenues** came to about *$1.2 trillion, 25%* more than the year before. That's more in just *one week* than McDonald's takes in an *entire year*.

The reason was that each company was ideally poised to provide vital online services during the abrupt transition to home offices and schooling.

The biggest winner of all was Amazon, which was not only a supply lifeline for millions of consumers during lockdowns; its cloud capacity helped keep many businesses online. Amazon's total **earnings** during the pandemic so far have been *3 times* as much as during the previous 3 years combined.

Facebook, which filled the social (and mental) vacuum for so many in lockdown, also did **fantastically well** with their just-reported first-quarter income from online advertising reaching triple that of the same period in 2020 when the plague hit.

Google's earnings also **jumped** sharply, largely thanks to YouTube filling endless lockdown hours, also with record profits of a third more than last year. Even Microsoft saw a big spike in quarterly profits, due to the need for cloud computing, people buying new devices in order to work at home, and their adoption of its online Office 365 suite of tools.

Apple, whose iPads and laptops were in **high demand** due to school closings, made a **stunning** *$90 billion* during the first quarter. That works out to *$1 billion* per day, while Amazon made a bit more: over *$800 thousand* **per minute** – and this in the middle of a worldwide epidemic which choked supplies.

When big becomes too big

Ironically, all this profit could prove to be too much of a good thing. Big money and influence often makes big enemies. Even before the pandemic, the Tech Giants had become so overbearing that many knives were being sharpened to cut them down to size. Their actions during the pestilence have only given regulators even more justification to intervene harshly to change their behavior.

Together, the Big Five now face a number of antitrust and other lawsuits both here and in Europe. Calls are getting louder for **Facebook** and **Google** to be broken up. Apple's tax dodging **strategies** are an embarrassment along with the towering piles of cash of Big Tech's **billionaires** which make Scrooge McDuck's money vault look like a piggy bank.

Yet, the rich overlords have not gotten the message. For them, it's been business as usual but with even fiercer competition between them than ever before. Here's some of what's been going on while we were all concentrating on getting our shots.

The main problem with these giant corporations is not their size as such but the unfair methods they used to get there. Microsoft began the practice of aggressively **buying up** small companies to assimilate their technology Borg-like, or to copy it outright.

But Microsoft was slapped down for this in the antitrust suits they faced in the 90s and is sitting out most of these. Google, however, became **infamous** for buying up and later abandoning new ventures, gobbling up a new start-up every couple of weeks.

Apple is even more blatant, recently launching **AirTag**, a personal location tracking device, which is almost identical to **Tile**'s Bluetooth transponders for finding misplaced items like lost keys.

Prices are nearly the same. The main **differences** seems to be their shape and the fact that AirTags only work with iPhones. But how is a crowdfunded private firm that's only been around since 2013 supposed to compete with a multi-billion dollar empire?

Executives of Tile, along with those of Tinder and Spotify and others, **testified** recently to a Congressional committee of how terrified they were of both Apple and Google. Several spoke of threats by the companies if they did not submit their products to their app stores, complained of high fees charged to use them and slow service, for the stores had no incentive to make it any easier for rivals to survive.

Apple charges *30%* of the take for inclusion in its App Store, and is now **on trial** in a suit by the makers of the popular Fortnite game. It also faces European **objections** for its dominance in music streaming.

Yet, the worst offender might be Amazon. The giant retail online superstore competes with thousands of small sellers that it hosts on its own website.

Since all orders are made through the platform and the website tracks visitors, it is **very easy** for Amazon to know exactly how well third-party sellers are doing, using its own lax controls despite policies. If Amazon then wants in on the action, it can copy the products, buy out the producer, or destroy it by systematically undercutting prices or raising fees.

For years, Amazon has been accused of all these things. The worst example may have been when Amazon tried to control the vital supply of nappies by buying out the parent company of **Diapers.com**, a popular and growing market for new parents.

To do this, emails clearly **showed** a strategy of Amazon steeply undercutting diaper prices, even launching a Prime-like discount program for expectant mothers. Amazon was willing to lose *$200 million* a month on this ploy. Once the company was acquired, the rewards program was quickly killed and diaper prices went back up again. And the price is **going up** further now due to the pandemic.

Two appeal courts have held that Amazon is **legally liable** for defective products sold by third-party sellers. Over *70* different items of its own AmazonBasics brand have been described as **dangerous** by upset users. Along with **fake reviews** for sale by bulk and the sale of **counterfeit** 3M N95 masks at huge mark-ups, the site has some serious problems.

Though Amazon lately defeated one unionization effort with the **help** of Louis DeJoy, the service-cutting Postmaster General, they are **fighting** other attempts while the union has filed **grievances** over their activities. From internal polls, CEO Jeff Bezos says that *94%* of his workers are highly satisfied, but **many** fear what might happen if they disagree.

To track or not to track

Perhaps the biggest issue these days relates to user privacy. Tracking has been done by "**cookies**", tiny files websites place on users' devices to account for their visits. First used to make on-site browsing easier, they quickly became the standard way to follow visitors not just around the originating website but eventually all across the world wide web.

Once users became uncomfortable with surveillance by means of third-party cookies, web browsers quickly developed the ability to choose and restrict which ones they would allow. Since online advertisers are charged fees for clicks and eyeballs on a site, this is a concern both to marketers and to websites that rely on such ads, like Google and Facebook.

There are many other ways to **fingerprint** users. Google is testing one called **FloC** (which strangely means "Federated Learning of Cohorts") which puts users into interest groups based on browsing history. It claims this will protect user anonymity while serving personalized ads without third-party cookies.

But many critics, including the Electronic Freedom Foundation, don't **buy** the concept, calling it "a terrible idea." It works by browsers collecting information about users' surfing habits and from that determining to which user "cohort" they belong. Websites would then use that pigeonhole to serve the visitor tailored information, including targeted ads.

In other words, each web session would begin with a confession of interests that would then be judged by one's own web browser. It's easy to see many different ways this could go horribly wrong, posing a real danger to user anonymity and privacy.

Google's Chrome browser is currently equipped for FloC. But other browsers including Edge, Firefox, Vivaldi and Brave have all **opted out**, and individual **users can**, too. In any case, it seems to be an odd thing to promote while facing at least *3 lawsuits* for **monopolizing** searches on the web.

Facebook versus Apple

But the biggest battle over privacy has erupted between the CEOs of Facebook, Mark Zuckerberg, and Tim Cook of Apple, who both seem to be taking it quite personally. It started when Apple announced an **App Tracking Transparency** feature on its latest iPhone operating system update. Rather than automatically allow tracking on its devices by apps unless that option was manually turned off, now tracking would be blocked by default unless tracking by each app was individually granted by the user.

No doubt this is a small toggle, but many observers think track-blocking will become widespread across the internet. Facebook has taken out large **print ads** claiming Apple's new policy will hurt small businesses though it is Facebook which suffers. Apple, meanwhile, stoutly maintains it is standing up for privacy. What Apple **fails** to mention is that it uploads usage logs for every iPhone app when it turns on, so who's privacy is really being protected?

Big Tech has made big money, but pressure is building on all sides. Stay tuned – the fight is bound to be long, hard, and may reveal even more secrets.