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## Will Trump policies hurt top Internet firms' innovation?

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Customers use computers at an Internet cafe: Facebook has the largest number of social media clients at 1.4 billion monthly active users. PHOTO | AFP

Facebook, Amazon, Netflix and Google or FANG as they are referred to in stock market parlance after their stocks out-performed markets in 2016, thrive as the biggest Internet firms in the world.

The four firms hold a combined market capitalisation of around Sh100 trillion. The valuation places FANG among the top 15 world economies based on a market capitalisation to GDP comparison.

The FANG companies all use the Internet as their main medium, thus leveraging it to build business models around the network effect that users have on their products. Put simply, the network effect is a phenomenon in which a good or service becomes more valuable the more people use it. It means that the more people are on the platform, the more valuable it becomes even if the firm has yet to generate profits.

Unquestionably Facebook holds the largest number of users on any social network in the world with a record of 1.4 billion monthly active users.

Facebook users are enough to rival the most populated countries on earth. Google follows suit with just over one billion users across six of its best performing products. Amazon comes in third with 244 million users and Netflix enjoys 95 million subscribers. As expected, the number of users on the platforms makes them more valuable. It is not surprising that the biggest platforms fetch the highest advertising revenues.

Will US President Donald Trump have a negative effect on the FANG companies? Analysts believe that Mr Trump's policies will be bad for the Internet, indicating that one of his first casualties will be the net neutrality laws governing Internet service providers and regulatory bodies.

The laws, established in 2015, preserve the right to communicate freely through the Internet. Most countries follow a similar model. Net neutrality not only allows open sharing of knowledge but also enables a level playing field for business owners and entrepreneurs who rely on the Internet to reach their customers and distribute products.

President Trump's pick to head the US Federal Communications Commission, the equivalent of the Communications Authority of Kenya, has consistently opposed pro-consumer regulations in the support of a free market. Net neutrality means simply that all Internet content must be treated alike and must move at the same speed over the web. In the absence of such laws, Internet service providers would be able to favour one type of traffic over the other and charge a premium depending on the type of content viewed.

Big websites like FANG are in favour of net neutrality not only because their models are built on it but also because an open Internet offers greater opportunities for everyone. Whereas big service providers such as Comcast and AT&T or, in Kenya, Safaricom, Zuku, and AccessKenya, which would profit exponentially from their gatekeeper role are opposed to it.

Despite all the doom and gloom around the new American administration and the net neutrality debate, there is still plenty to be excited about with the FANG companies.

Facebook is pushing for a more connected world through research into high altitude, long endurance planes, drones, lasers and satellites with the aim of providing affordable Internet access in hard to reach areas around the world.

Unfortunately, some of the biggest opposition to expanded coverage for low income rural users are African governments who prefer to control access to and prices of connecting to the Internet. Facebook is also moving into virtual and augmented reality, technology that alters your perception through computer simulated environments. These have the potential of adding new dimensions to entertainment as well as changing approaches to science and medicine. They are also advancing in artificial intelligence (AI) thanks to their Facebook AI Researchers.

Google also has made significant advancements in AI. This year we expect a lot more AI to be integrated into products like the gsuite, their set of intelligent cloud apps among which includes Gmail and Google Docs.

## **Virtual journey**

Another focus area for Google in 2017 is mobile virtual reality with their Google Daydream headset which uses a mobile phone attached to a headset to take users on a virtual journey. This has already begun gathering traction with CNN, BBC, Netflix and Hulu actively developing content for it.

Amazon, the top online retailer in the world, is looking to enhance their product lines in 2017 to increase users with subscription services like Amazon Prime and Amazon Web Services.

They also look to expand into devices such as Amazon Echo, which is a device trained around your voice to give you feedback on queries such as the weather, news, traffic details and useful information. This year Amazon promises to do more with less, expanding of their customer fulfilment network, introducing a drone delivery system, Prime Air, whose promise is to deliver packages in 30 minutes or less.

Yet the most anticipated product from Amazon in 2017 is Amazon Go, which is a chain of grocery stores with no checkout processes. Shopping with the use of your phone you are able to post your items to your Amazon account and walk out of the store. Could we imagine that reaching Nakumatt or Uchumi here in Kenya? The system uses Just Walk Out Technology, which is a combination of computer vision and deep learning algorithms brought together by sensor technology.

Netflix, an instant video streaming platform with a wide selection of popular content and original programming, in 2017 promises more original programming and exclusive content delivered in unorthodox ways. This will provide users access to complete content at the touch of a button.

In the long run we can expect more value from the FANG companies in 2017 and beyond.

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