

ECONOMICS OF PUBLISHING IN THE AGE OF THE INTERNET

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Economic Forces

- Econ 101
 - Supply and demand
 - Many constituents, subtle effects
 - Supply: user attention, information v. space
- Modern economics
 - Platform markets: reduce prices for most sensitive side of market
 - Competing platforms: news outlet v. news outlet
 - Competing platforms: news, ad platform, aggregators

Old World



→ **The Washington Post** ←



Publishers deliver known, stable, tailored audience to advertisers

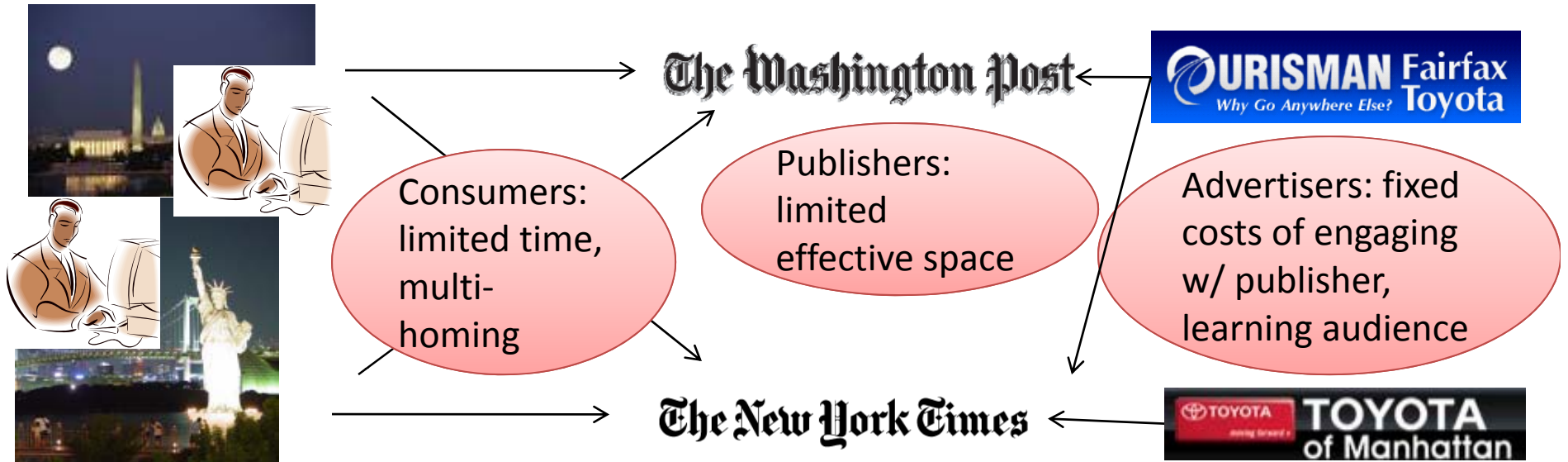


→ **The New York Times** ←



- Newspapers have little competition across cities for either consumer attention or advertising dollars

The Impact of Internet Browsing



- **Supply of ad space**

- Effective supply decreases due to duplicated impressions, heterogeneous audience

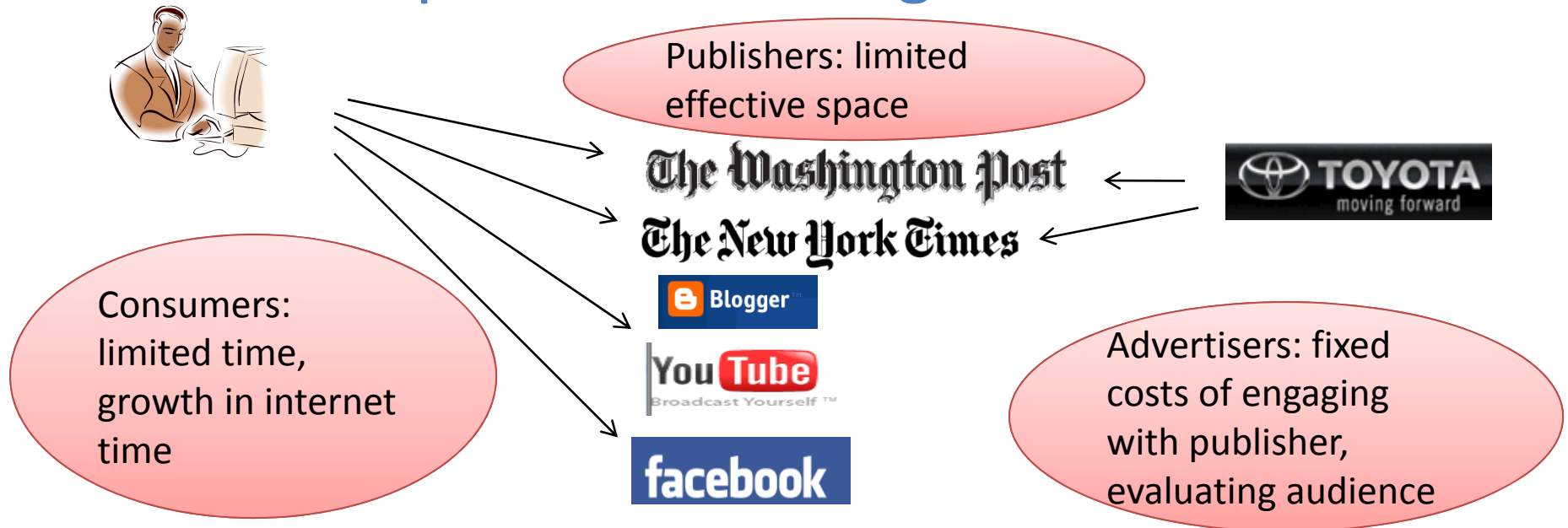
- **Demand for ad space**

- Not all advertisers compete for consumers on all outlets – scale

- **Publisher competition**

- For consumers to steal market share: scale economies
- For advertisers to reach the same consumers
- Platform competition: reduce prices to consumers (free!)
- Redistribution: pubs who had scarce supply of ad space worse off

The Impact of Browsing New Content



- **Supply of ad space**

- Effective supply decreases since fragmented content does not attract advertisers, typically less effective advertising

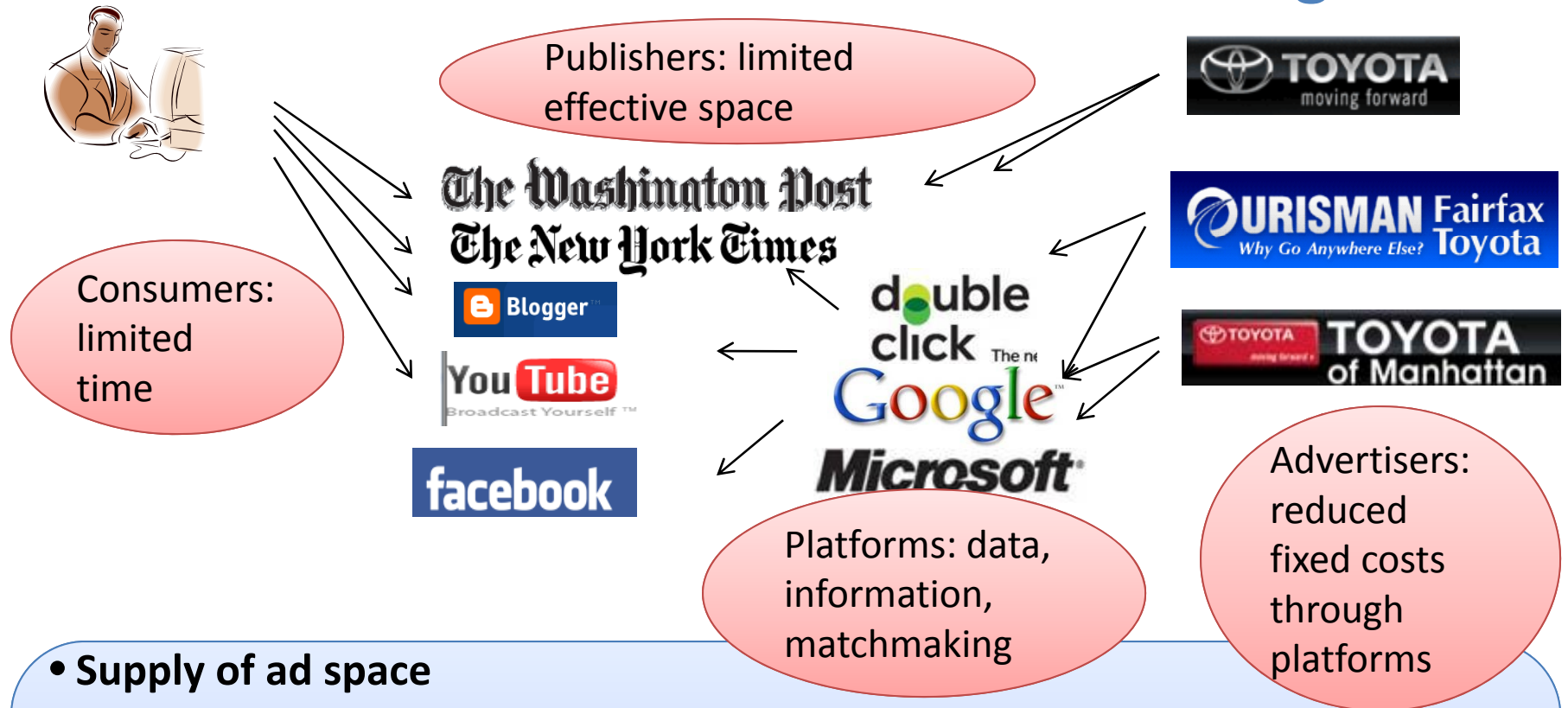
- **Demand for ad space**

- Miss some consumers because advertisers do not work with all pubs

- **Publisher competition**

- Old pubs harmed by competition for consumers, differential impact
- Economies of scale in competition for attention
- Traditional publishers see higher prices, lower quantities

Ad Platforms and Internet Browsing



- **Supply of ad space**

- Increase effective supply on fragmented content

- **Demand for ad space**

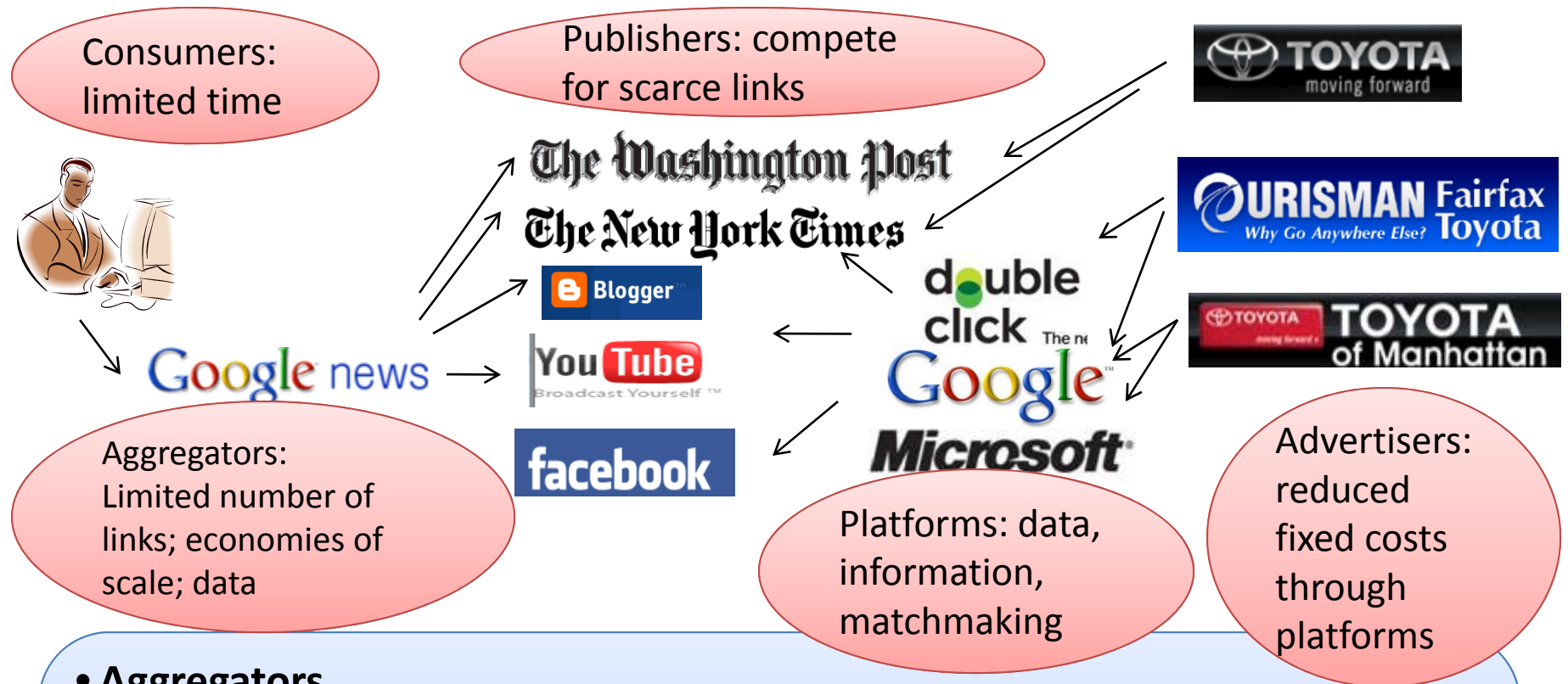
- Increase demand by lowering fixed costs of engagement
- Extreme targeting eventually thins out advertiser competition

- **Publisher competition**

- Publishers lose tailored audience, unique info about audience

- **Ad platform competition** drives publisher monetization

Aggregators and Ad Platforms



• Aggregators

- Business model: attention, user data, synergy with ad platform
- Economies of scale in data and information
- Competing aggregators give publishers bargaining power
- **Publishers** lose advantages of dedicated & loyal audience
 - Ad platforms mitigate efficiency/info, but don't stop pub. competition
- **Competing ad platforms** share rents with publishers

Conclusion: Economic Forces

- Econ 101 and the internet
 - Fundamental constraints governing supply and demand do not change
 - Technology changes efficiency, competition, distribution
- Modern economics
 - Platform competition (news): pressure for content to be free
 - Ad platforms
 - Enable better targeting, increases effective supply
 - Substitutes for tailored content
 - Become owners of valuable consumer information
 - Competition key
 - Aggregators
 - Own the eyeball and the information
 - Economies of scale in data
 - Encourages use of ad platforms
 - Competition and publisher scale key to bargaining for rents