

Discussion of
“The Impact of the Internet on Advertising
Market for News Media”
by Susan Athey, Emilio Calvano and Joshua Gans

E. Glen Weyl

University of Chicago

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A précis of the argument

Paper asks why internet might reduce ad revenue

- Not entirely obvious, as customers still captive for time
 - “Traditional media economics” of Anderson and Coate (05)
- But this paper argues switching hurts because of waste
 - 1 Companies accidentally hit reader many times
 - If diminishing marginal impact at some point, reduces value
 - Before the internet people would read only one paper

⇒ Reduction in value creation and thus revenue
 - 2 May or may not affect how much value can be extracted
 - Extremely sensitive to exact structure of model set-up
- Also shows complexity/ambiguity of many related issues:
 - 1 Different tracking of viewers (within and across)
 - 2 Asymmetries between different outlets
 - 3 Competition from (advertising by) non-advertising outlets
 - 4 Pay walls, advertising timing, contracts, reader competition

A simplified modeling approach

Key question: could this account for much of decline?

$$\text{Revenue} = \text{Value Created} \times \% \text{ of Value Extracted}$$

- We know second term very complicated, ambiguous
 - ⇒ Very rich structural model to get at this
 - Any applied theory exercise will just show ambiguous
- ⇒ Why not focus on first term?
 - 1 Data on impressions per ad now v. in physical format
 - Seemed from earlier presentation like they have this
 - 2 Estimate value depending on this (marketing literature)
 - 3 Calculate reduction in value created
 - Might also include viewer annoyance
 - 4 If extraction < 1 seems like reasonable upper bound
- Such calibration might be more useful than theory model

Some related issues worth exploring

This paper or other research in future might:

- 1 Clarify v. Ambrus-Reisinger (06), Anderson et al. (10)
 - Briefly mentioned, but a lot of talk about novelty of effect
 - What is the marginal contribution?
- 2 Is experience of ad just different online?
 - Seems at least as big as issue of hitting multiple times
 - Must be a marketing literature about this...
- 3 Price discrimination huge role in theory model
 - But under tracking isn't this more possible?
 - Shouldn't this eliminate any costs of tracking?
- 4 Hard to compare to Anderson and Coate (05) benchmark
 - Cannot choose quantity, so automatically lower revenue
- 5 Revenue v. marginal incentives for desirable content
 - In depth reports might become more marginally attractive