Media and the Internet

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GARANZIE NELLE
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Outline

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S: Athey's Lessons (markets for news)

- **Multi-sided markets**

- **Advertisers' targeting: impressions waste, loyalty, switching**

- **Substitution effect, 'exposure' effect and relevant markets**

- **Wrong policies decreases consumers' welfare AND competition**

- **Understanding consumers' behavior and heterogeneity (before implementing competition/regulatory policies)**

Markets and Consumers

MARKETS

|	Same relevant market	Adjacent relevant market
Substitution effect	Negative externality Competition	Gateway
Exposure effect	Competition and Market growth	Positive externality

CONSUMERS BEHAVIOR

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Consumers Heterogeneity and Access to News

- **Do different classes of consumers have different news needs?**

- **Do *news lovers* have a higher propensity to pay for news respect to *daily briefers?***

- **Does the size of the classes play a relevant role for advertisers?**

- **Does the distribution of classes play a role in maintaining distinct, though adjacent, relevant markets?**

Frequency of news access

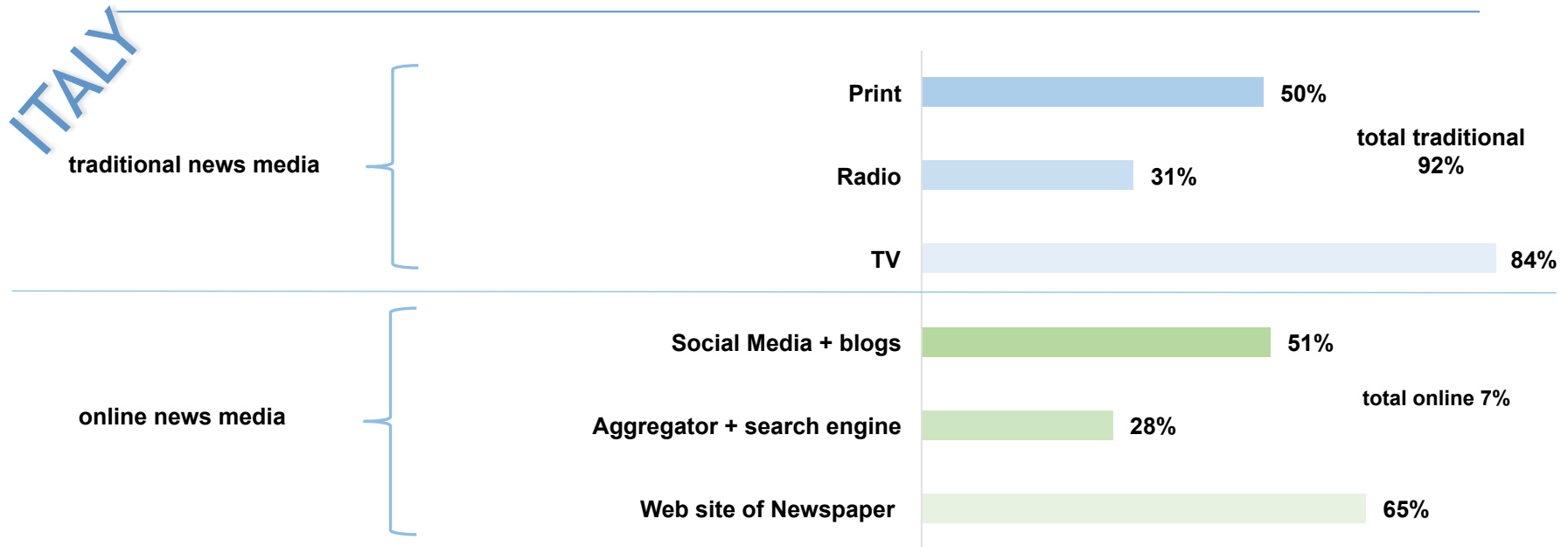Typically, how often do you access to news?
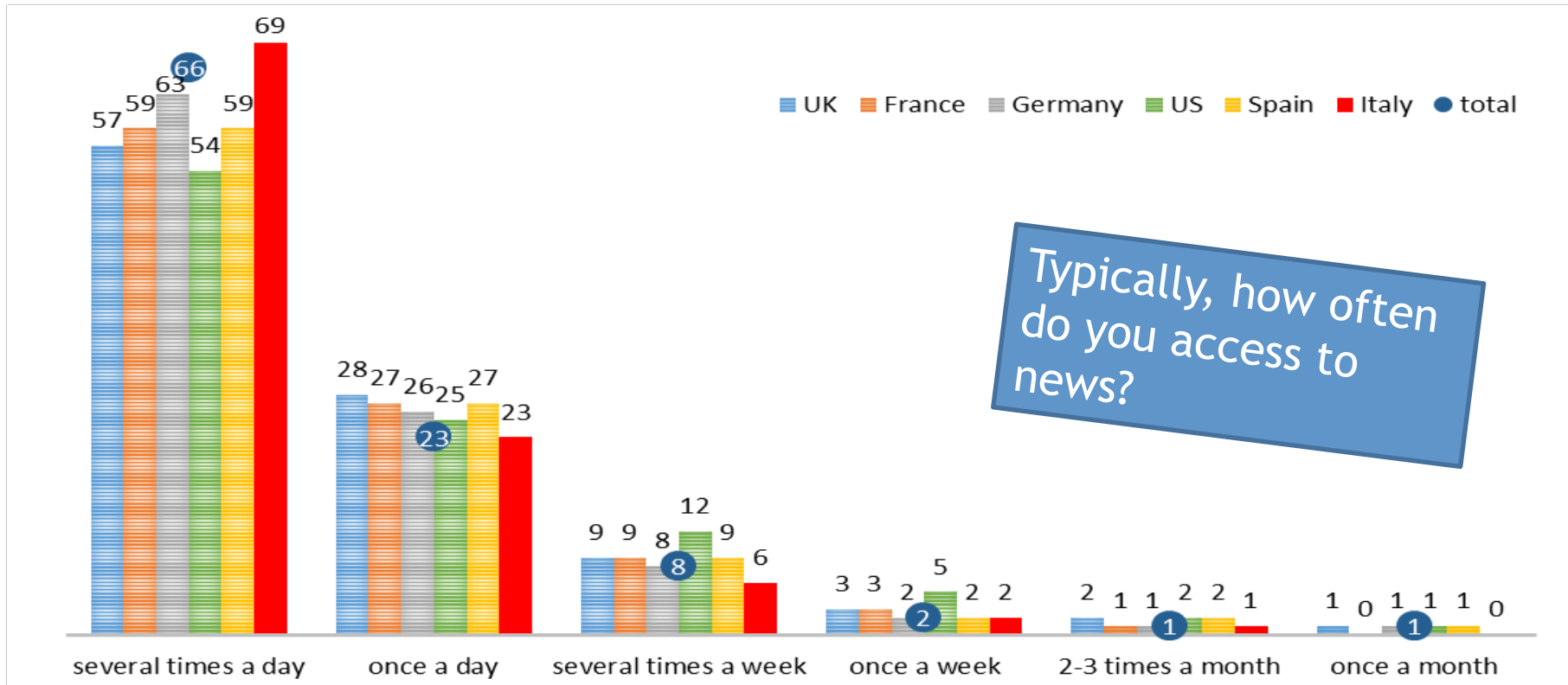
- **There exists a wide demand for news**

- **These changes seem to be related to the growth of new devices**

- **Age does not impact people's attentiveness to various news topics**

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News segmentation
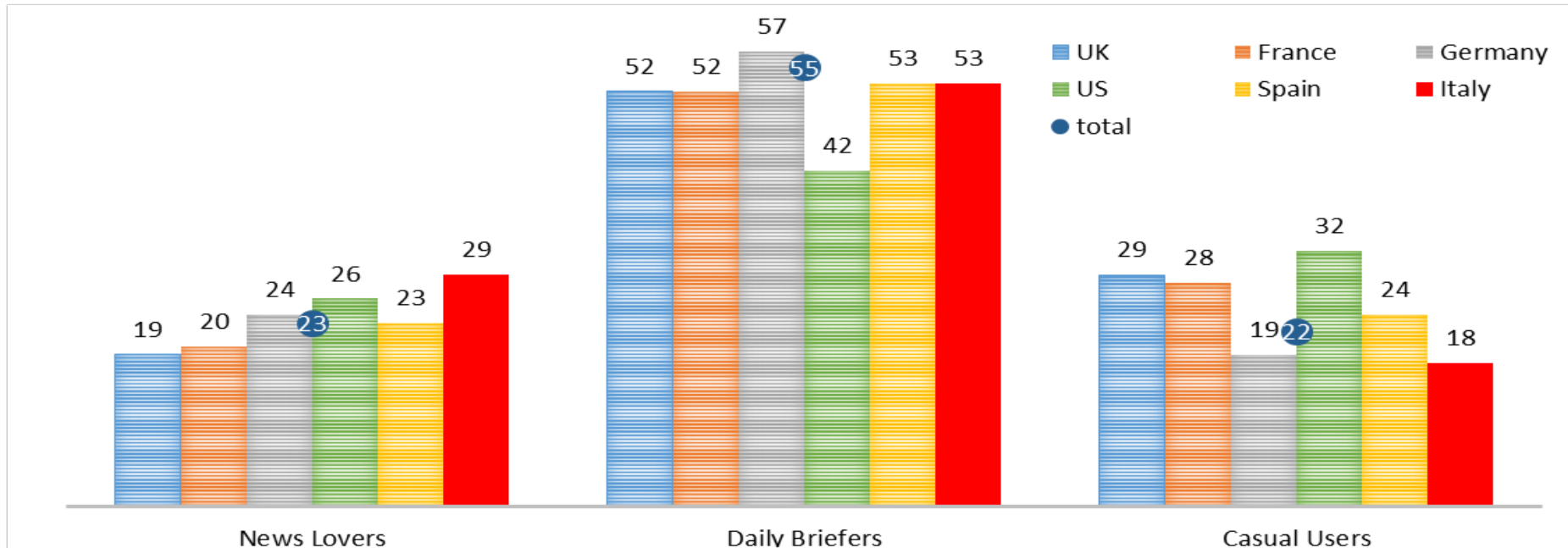
- **By combining the frequency of access and the interest in news, it is possible to segment news consumer into three categories of persons**
- **Different classes of consumers have different news needs; (and a higher propensity to pay for news*?)***
- **The size of the classes is important for advertisers**

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Traditional vs. online communications media

ITALY

traditional news media

Print	50%
Radio	31%
TV	84%

total traditional 92%

online news media

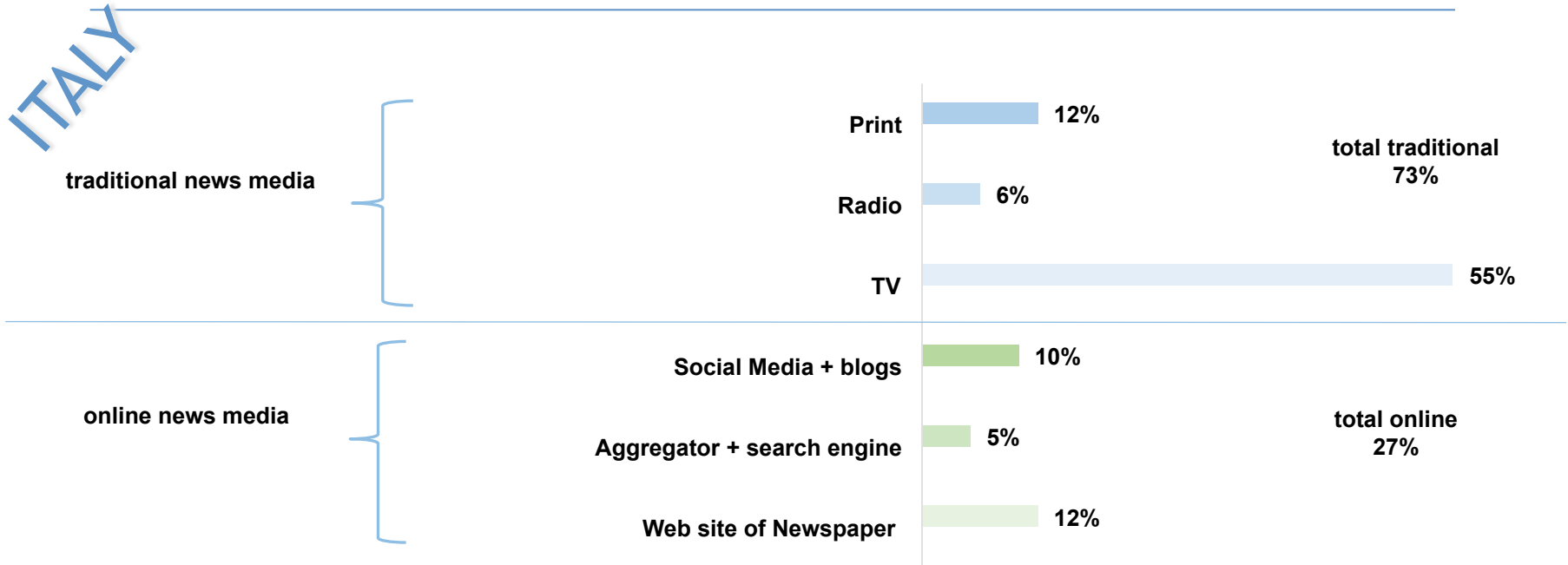|	
Social Media + blogs	51%
Aggregator + search engine	28%
Web site of Newspaper	65%

total online 7%

Which, if any, of the following have you used in the last week as a source of news?

- **Traditional media, in particular TV, remains very important as a source of news**

- **On average around 57% use newspapers, considering cross-platform reach (*Print* and *Web site of Newspaper*), as a source of news**
  - **Newspapers play an important role in democratic countries not least because they still employ the vast majority of journalists creating original content**

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Most important source of news

ITALY

traditional news media

Print	12%
Radio	6%
TV	55%

total traditional 73%

online news media

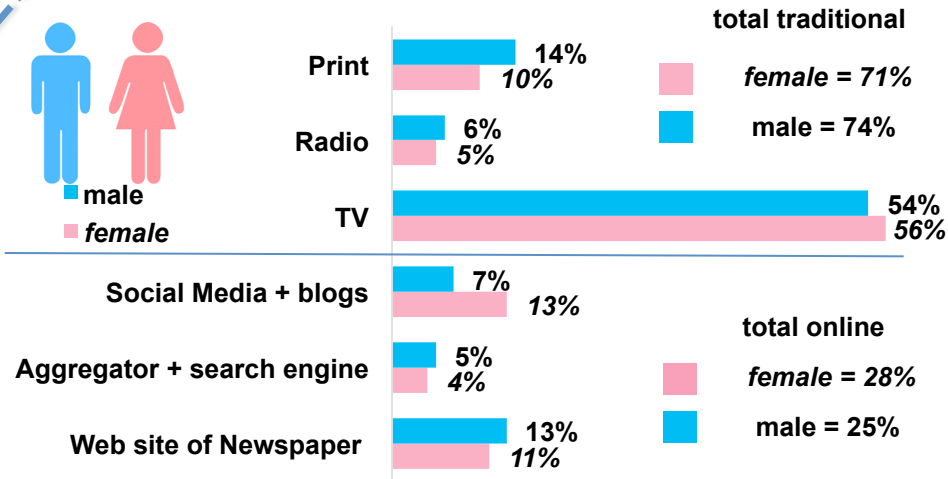|	
Social Media + blogs	10%
Aggregator + search engine	5%
Web site of Newspaper	12%

total online 27%

> You say you've used these sources of news in the last week, which would you say is your MAIN source of news?
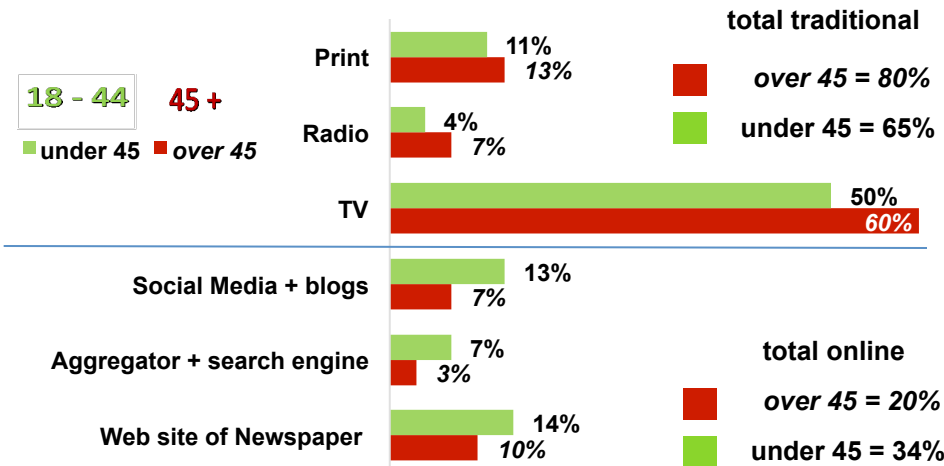
- **TV remains the main source of news:**
  - **Half of all news users in Italy have access throught TV**

- **Online media, as a whole, is the second most important way of accessing news**

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Most important source of news by gender and age

ITALY

male
female

Print 14% / 10%
Radio 6% / 5%
TV 54% / 56%

total traditional
female = 71%
male = 74%

Social Media + blogs 7% / 13%
Aggregator + search engine 5% / 4%
Web site of Newspaper 13% / 11%

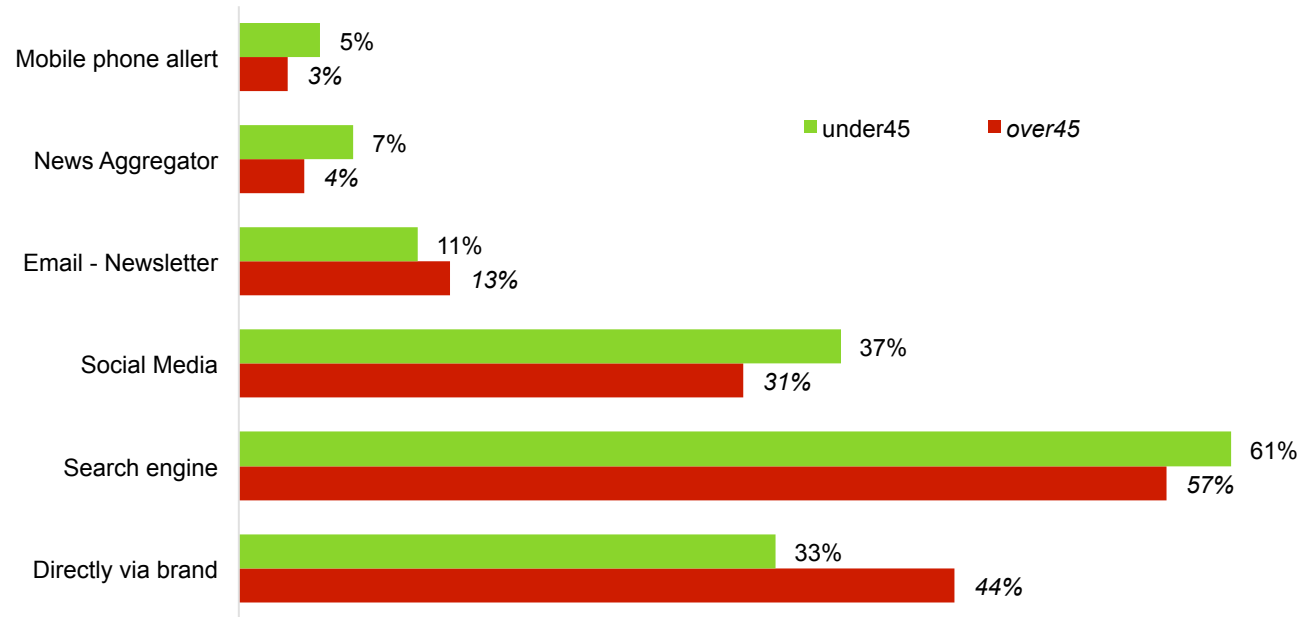total online
female = 28%
male = 25%

- **Print news are more preferred by males than by females**

- **Social media and blogs are, among online media, the favorite sources of news for females**

18 - 44   45 +
under 45   *over 45*

Print 11% / 13%
Radio 4% / 7%
TV 50% / 60%

total traditional
over 45 = 80%
under 45 = 65%

Social Media + blogs 13% / 7%
Aggregator + search engine 7% / 3%
Web site of Newspaper 14% / 10%

total online
over 45 = 20%
under 45 = 34%

- **As we might expect, younger age groups have a greater predisposition to use the Internet, also for news**

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Digital platforms: online gateways for information

ITALY

	under45	over45
Mobile phone allert	5%	3%
News Aggregator	7%	4%
Email - Newsletter	11%	13%
Social Media	37%	31%
Search engine	61%	57%
Directly via brand	33%	44%

Which were the ways in which you came across news stories last week?

- **In Italy almost three in five (59%) *search* is the main gateway; social networks follow**

- **Editorial brands are declining: emerging role of digital platforms for getting informed**

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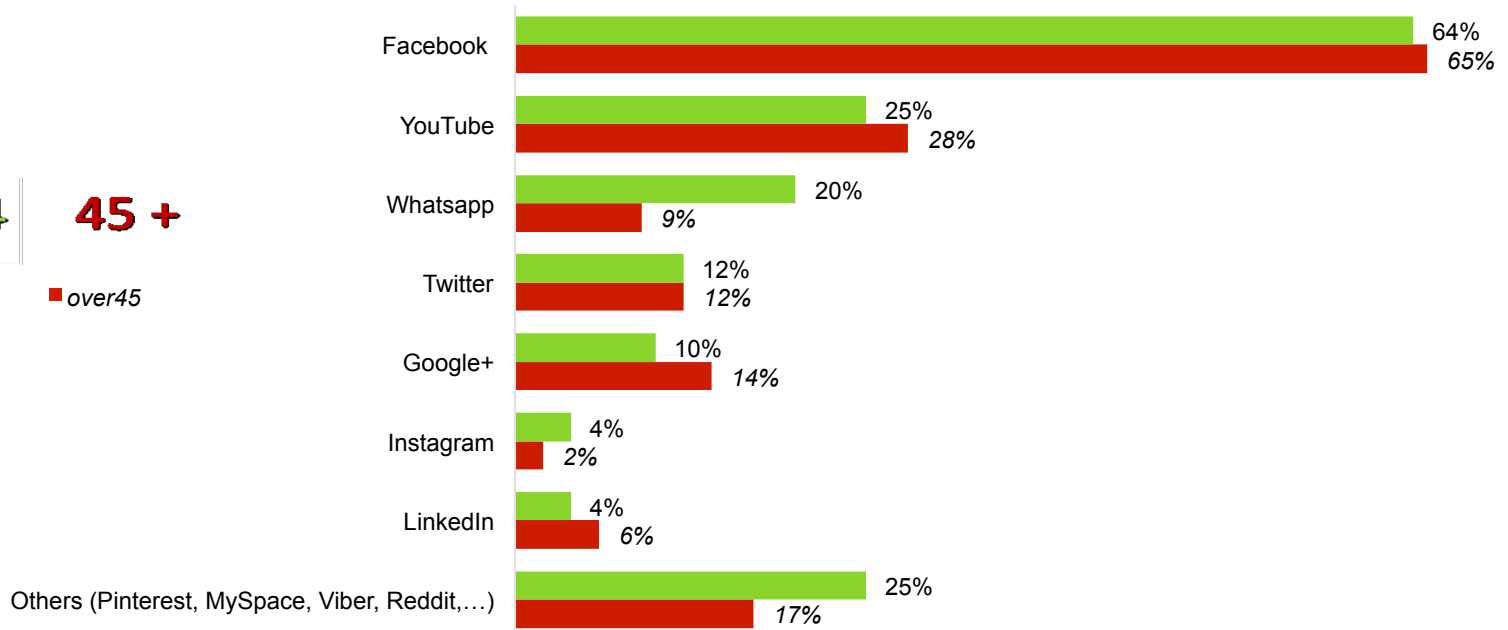
News consumption througout social media

ITALY

18 – 44 | **45 +**

■ under45 ■ *over45*

Platform	under45	over45
Facebook	64%	*65%*
YouTube	25%	*28%*
Whatsapp	20%	*9%*
Twitter	12%	*12%*
Google+	10%	*14%*
Instagram	4%	*2%*
LinkedIn	4%	*6%*
Others (Pinterest, MySpace, Viber, Reddit,…)	25%	*17%*

Which, if any, of the following have you used for news in the last week?

- **More then three out of five (64%) find, share, or discuss a news story in a given week on Facebook**

- **News search, share and discuss is considerably less important in other network**

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Digital platforms: market & competition issues

- **Digital platforms: two-sided markets**

- **Strength of network effects**
  - **Direct network effects**
  - **Cross-side network effects (also two-side)**
  - **Indirect network effects**

- **Economies of scale**

- **Multi-homing costs (and switching-costs)**

- **Users' preferences for differentiated platform functionality**

- **Winner-Take-All (WTA) in web markets (?)**
  - **WTA: market share of the leader >80-90%**
  - **Dominant position**

Digital platforms: two-sided markets

$p_C=0$ free content
$p_C>0$ pay for content

$p_A>0$

Web services: horizontal and vertical

Information

Social media

Search

Ad online

Ad exchanges, ad networks, web analytics

Users
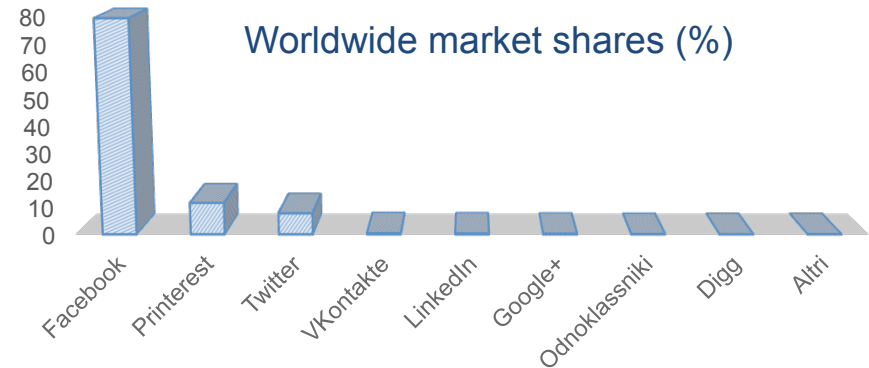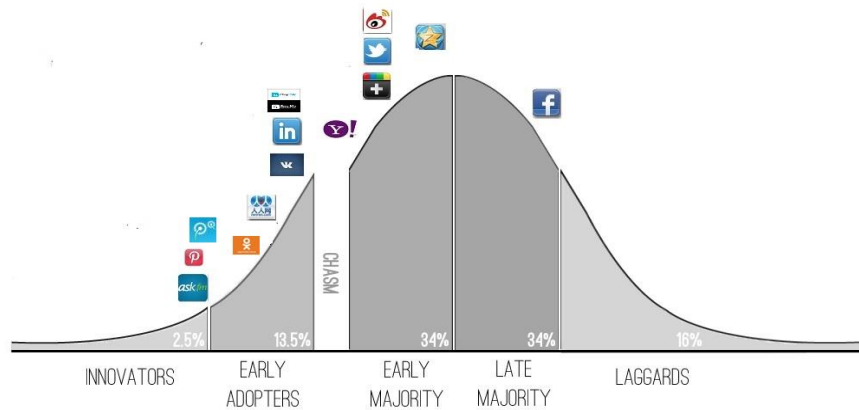
Advertisers

Software
(OS, browser)

Device
((pc, tablet, console, connected TV, smarthphone)

Access (NGA, ...)

Backhaul/ switching

Backbone

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Digital platforms: direct network effects

Worldwide market shares (%)

- **If the number of users exceeds a threshold network size than "bandwagon effect"**

- **Corner solution with one winner and many losers**

- **Example of strong direct network effects: social networks**

Digital platforms: cross-side network effects

- **When network externalities across the two sides of the market are strong a platform will emerge as a leader**

- **Example: search**
    - **Advertisers claim for more users to be reached by their commercials**
    - **Users ask for more advertisers within a search platform**

Worldwide market shares (%)

Google — Yahoo! — Microsoft (MSN/Bing) — Altri

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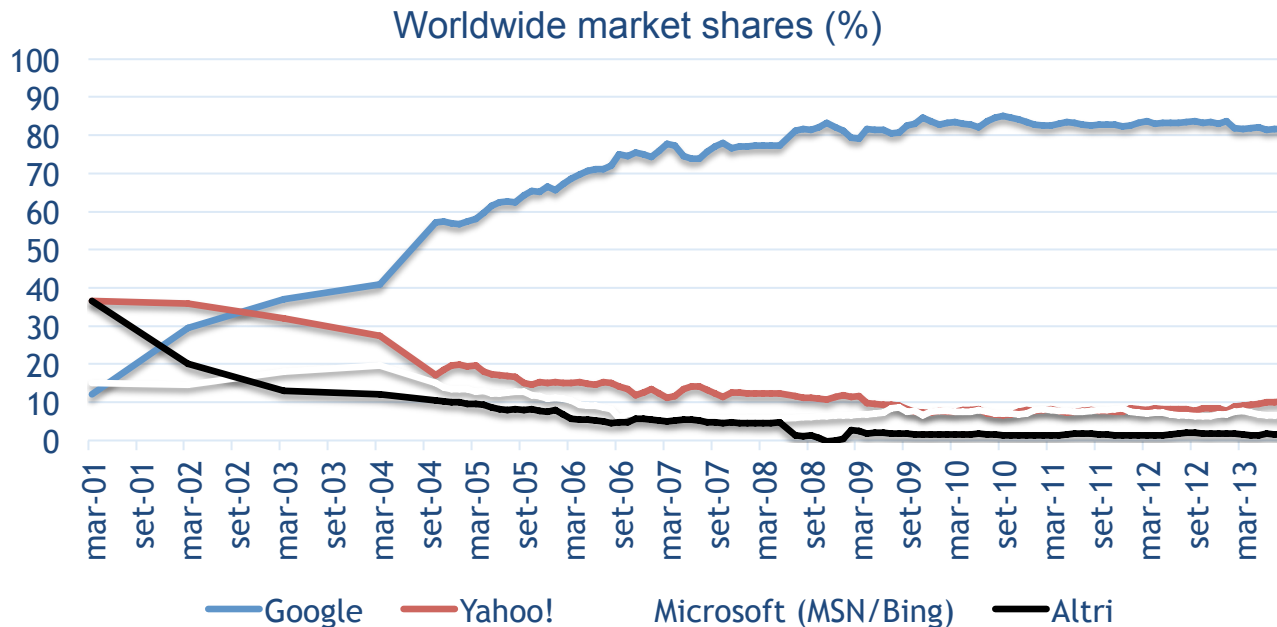
Digital platforms: indirect network effects

- **Indirect network externalities relates to a complementary positive feedback between different markets**

- **Example: software-hardware, e.g. operating system (Microsoft Windows) and software/web applications (Microsoft Office/Internet Explorer); operating system (Android) and ad online (Google ad platform)**

- *"Early on, [Microsoft] recognized that consumers would benefit greatly if a wide range of hardware and software products could interoperate with one another. Among other things, (i) the products would be more useful if information could be exchanged among them, and (ii) development costs would fall and a broader array of products would become available if they could be developed for larger customer segments without the need to rewrite software to target narrow platforms. As more products became available and more information could be exchanged, more consumers would be attracted to the platform, which would in turn attract more investment in product development for the platform. Economists call this a "network effect," but at the time we called it the "positive feedback loop"* (Bill Gates) (antitrust case in USA and EU)

Digital platforms and information

- **Increasing role of digital platforms for accessing and consuming information and decreasing role of editorial brands**

- **WTA market structure of digital platforms**

- **Are digital platforms information gatekeepers? Need for antitrust and/or regulation? Wait and (too late) see?**

- *Side issues: who finances (investigative) information? Need of a new public policy (eventually regulatory) in the 'news market' (?)*

- *Is there self-bias in searching news through social networks?*

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