

Intermediation & Localism in the Market for Digital News

Media Economics Workshop X
Bogota, Columbia

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Today's News

The Telegraph Search - enhanced by Google

Saturday 20 October 2012

HOME NEWS WORLD SPORT FINANCE COMMENT BLOGS CULTURE TRAVEL LIFE FASHION **TECH Dating Offers Jobs**

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HOME » TECHNOLOGY » **GOOGLE**

Google 'may ban' French media from search

Google has claimed it will remove links to French newspaper websites from its listings unless a proposed tax on content is dropped by the government.



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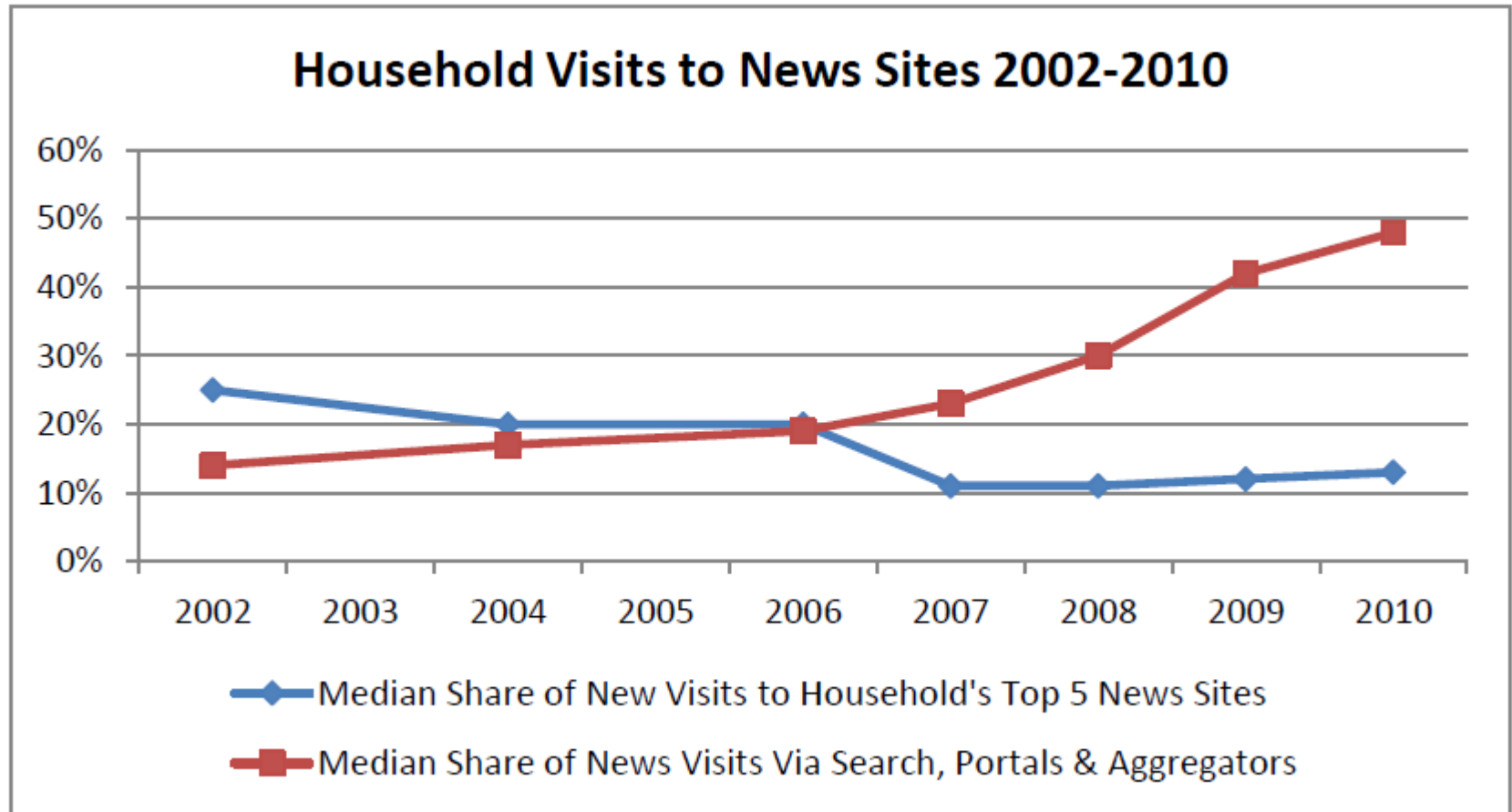
Quizás por eso los anuncios en Google funcionan.



PROMOTIONS »



Motivation: Intermediaries Matter



George, Lisa M. and Christiaan Hogendorn (2012). "Aggregators, Search and the Economics of New Media Institutions." *Information Economics and Policy*, Vol. 22: Issue 1 pp. 40-51.

How? Theoretical Themes

- Supply Side: Aggregators as Pirates
 - Aggregators reduce incentive for content production
 - Content costly, bundling cheap
 - Esfahani-Jeon (2012), Rutt (2012)
- Demand Side: Aggregators as Bundlers
 - Aggregators reduce cost of locating content
 - Aggregators improve matches
 - Content cheap, bundling & matching costly
 - George-Hogendorn (2012); Blogs (Shirky, Gans)

Media & Localism - General

- Long-standing policy concern about under-provision & under-consumption of local news
 - Antitrust rules, Ownership Rules, Cross-Ownership
- Under-provision: preference externalities
 - Larger markets have more outlets, higher consumption
 - Targeting & consumption depends on group size
- Under-consumption: behavioral externalities
 - Political participation & engagement

Media & Localism: Internet

- Overall Internet Effects
 - Agglomeration of taste groups
 - Transaction costs
- Intermediary Effects
 - Agglomeration of taste groups
 - Transaction costs

Today

- Characterize local media on the internet
- Do preference externalities persist online?
- How do lower transaction costs affect consumption of local news?
 - Google News redesign
- *Highly preliminary*

Empirical Evidence

- Intermediaries affect outlets
 - Chiou & Tucker (2011): Google – AP contractual dispute reduced visits to AP Site.
 - Note: AP is an unbundled content source.
- Intermediaries affect consumers
 - Athey & Mobious (2012): Local News Toolbar on Google News (France) increases Google News usage, short-term local news consumption.
- Otherwise we know very little

Data Sources: Overview

- Visits
 - Comscore MediaMetrics 2006-2010
 - 45,000-65,000 Households (Repeat Cross Section)
 - Complete Browsing History
 - Zipcode (MSA), basic demographics
- Domains
 - Top-level domains (eg., cnn)
 - Referring domains
 - Date & Time

Data: News Sites

- News Sites
 - Sources: Burrelle's, ComScore, Newspaper Association of America, Technorati, Bulldog
 - Easier: Newspaper, Radio, TV, News Agencies
 - Harder: News Magazines, Foreign, Blogs

Data: Defining “Local” Media

- Revealed Preference
 - Identify Home MSA for Domains
 - Share of hits to each domain from each MSA
 - MSA with maximum share = home MSA
 - Visit share from home MSA measures local focus
 - Identify Local Visits
 - Visit is local if home msa for domain = user MSA
- Strengths & Caveats
 - “National” media, Wire Services
 - Alternative approaches: HHI, Categories

Local Audience at Top News Domains

Domain	Home MSA	Total Visits	Home Share	Domain	Home MSA	Total Visits	Home Share
msnbc.com	1600	79,829	2.1%	entrepreneur.com	5600	82,110	4.8%
ap.org	5600	151,317	2.1%	bbc.co.uk	5600	324,802	5.4%
usatoday.com	1120	108,098	2.3%	nytimes.com	5600	194,504	11.7%
nbc.com	5600	210,008	2.8%	topix.com	-21	183,790	13.2%
cbsnews.com	5600	96,836	2.8%	nypost.com	5600	75,721	14.4%
cnn.com	5600	2,122,257	3.1%	latimes.com	4480	104,324	20.1%
reuters.com	4480	81,448	3.5%	nydailynews.com	5600	85,267	21.0%
forbes.com	5600	91,516	3.5%	washingtonpost.com	8840	182,384	23.9%
foxnews.com	520	569,328	3.8%	boston.com	1120	130,279	33.7%
pbs.org	5600	84,369	4.1%	wral.com	6640	76,233	43.3%
drudgereport.com	4480	216,213	4.3%	chicagotribune.com	1600	78,863	43.6%
mail.com	5600	100,402	4.4%	ajc.com	520	95,511	61.8%
huffingtonpost.com	5600	106,771	4.6%	azcentral.com	6200	91,203	68.4%

Local Media Online

<i>Domains: Share of Hits from Home MSA</i>				
Year	Mean	SD	5th %	95.0%
2006	44.8%	22.4%	5.2%	79.4%
2007	45.2%	22.8%	5.1%	80.9%
2008	45.2%	22.5%	4.6%	79.2%
2009	44.8%	22.4%	4.6%	78.6%
2010	44.2%	22.3%	4.6%	77.8%
<i>Consumers: Share of Hits to Home MSA Domains</i>				
2006	32.0%	42.6%	0%	100%
2007	39.1%	43.9%	0%	100%
2008	37.9%	43.3%	0%	100%
2009	36.2%	44.4%	0%	100%
2010	34.0%	43.8%	0%	100%

What Drives Local Consumption?

- Off-line news consumption linked to shared preferences
 - Larger markets have more variety, higher quality, higher per capita consumption
 - Minority consumption linked to group population
 - Newspaper readership, Hispanic news
- Do preference externalities persist online?
 - Black Total & Local News Visits on Group Pop
- Specification: $V_{imt}^g = a_0 + a_1 BPop_m + a_2 WPop_m + \tau + e_{imt}$
 - Daily visits & dwell time (log) by group on MSA group pop
 - Follows George & Waldfogel 2003

Table 2: Market Size and Local News Consumption, by Group

	Black Households		White Households	
	(1) All News	(2) Local News	(3) All News	(4) Local News
Black MSA Pop (M)	.0129 (.32)	.0922+ (1.84)	-.0043 (-.31)	-.0243 (-1.28)
White MSA Pop (M)	-.0067 (-.57)	-.0236+ (-1.69)	-.0009 (-.21)	.0202** (3.49)
2007.y	-.0270 (-1.05)	-.0412 (-1.14)	-.0518** (-8.36)	-.0443** (-5.56)
2008.y	.0222 (.81)	-.0205 (-.52)	-.0265** (-3.30)	-.0266* (-2.52)
2009.y	-.0667** (-2.91)	-.0600+ (-1.82)	-.0728** (-9.58)	-.0603** (-5.87)
2010.y	.0027 (.12)	-.0244 (-.81)	-.0148+ (-1.87)	-.0091 (-.84)
Constant	.4249** (17.58)	.3217** (9.35)	.5071** (70.57)	.3415** (34.49)
Adj. R-Squared	.01	.01	.01	.01
N	214504	87137	2526432	997158

Standard errors clustered by MSA. T-statistics in parentheses: + p 0.1 * p 0.05, ** p 0.01.

Dependent variables logged site visits. Excludes New York and Non-MSA Households.

Sample: 330 MSA's, 177, 683 Households, 874 Days. Month, Day & Weekday dummies not shown.

Preference Externalities Results

- Preference externalities persist in digital news markets, but only for local news.
 - For blacks, local news consumption depends positively on black pop and negatively on white pop.
 - For whites, local news consumption increases with white pop and does not depend on black pop.
- This is the same pattern of results as George and Waldfogel JPE 2003 estimated with aggregate data.

Aggregators & Localism

- Summarize role of aggregators in local news market
- Study effect of Google News redesign on local consumption.

Data Aside: Google News

- Problem: Can't distinguish google news from google search with top-level domains.
 - Referring sites and lag domains
- Solution: Scrape archived Google News pages
 - 874 dates 2006-2010 in Wayback Archives
 - Identifies whether a site appears on Google News that day
- Define:
 - Google News Visit (Visit to Domain on Google News)
 - Google News Referral (Google Visit Referred by Google)
- Caveats

Top 10 Sites on Google News

Number of Articles (Links)

Domain 2006	Links	Domain 2007	Links	Domain 2008	Links	Domain 2009	Links	Domain 2010	Links
nytimes	5.1	nytimes	7.7	AP	8	AP	8.8	youtube	10.1
forbes	4.6	reuters	5.8	nytimes	7.6	reuters	7.1	nytimes	7.7
reuters	4.3	latimes	3.8	reuters	6.1	nytimes	6.6	reuters	5.5
washingtonpost	4	washingtonpost	3.7	washingtonpost	4.8	latimes	4.6	AP	5.5
abcnews	3.6	bloomberg	3.4	latimes	3.6	wsj	4.3	wsj	5.4
bloomberg	3.3	cnn	3	cnn	3.5	washingtonpost	4.1	washingtonpost	4.9
cnn	2.8	forbes	2.8	bloomberg	3.2	cnn	3.9	latimes	4.7
chron	2.8	abcnews	2.3	wsj	2	bloomberg	3.3	cnn	4.4
bbc.co.uk	2.7	guardian.co.uk	2.2	bbc.co.uk	1.9	bbc.co.uk	2.7	usatoday	3.5
latimes	2.6	chron	2.2	usatoday	1.5	usatoday	2.1	businessweek	3.2
Share = 27.7%	35.8	Share=32%	37	Share=46.4%	42.3	Share=45.5%	47.6	Share=51%	54.9

Google News Referrals- Domains

Share of domain visits from . . .

	Local Users	Google News	Google News and Local	Share of Google Referrals from Locals
2006	41.7%	0.40%	0.03%	10.8%
2007	44.9%	0.45%	0.04%	10.4%
2008	45.0%	0.49%	0.04%	9.2%
2009	45.3%	0.59%	0.07%	12.5%
2010	43.4%	0.61%	0.08%	13.2%

Google News Referrals -- Users

Share of News Visits Referred			
Year	By Google News	By Google	By All Sources
2006	2.50%	8.41%	35.77%
2007	3.45%	13.92%	41.51%
2008	4.10%	16.98%	46.82%
2009	4.76%	19.56%	52.36%
2010	5.53%	23.20%	55.75%
Share of Local News Visits Referred			
Year	By Google News	By Google	By All Sources
2006	0.13%	1.48%	8.13%
2007	0.20%	2.55%	9.80%
2008	0.23%	3.35%	10.86%
2009	0.32%	4.01%	13.16%
2010	0.33%	4.96%	14.25%
Year	Local GN Refs/All GN Refs	Local Google Refs/All Google Refs	Local Referrals/All Referrals
2006	5.52%	18.18%	22.05%
2007	5.84%	18.66%	23.52%
2008	5.51%	20.19%	23.11%
2009	6.49%	20.79%	25.01%
2010	5.95%	21.80%	25.58%

Google Referrals (Domains)

Year	Google News Referrals (N/Day)	All Google Referrals (N/Day)	Local Google News Referrals (N/Day)	Local Google Referrals (N/Day)
2006	0.245	0.778	0.017	0.131
2007	0.282	1.032	0.020	0.186
2008	0.260	0.951	0.016	0.182
2009	0.248	0.905	0.021	0.186
2010	0.313	1.153	0.027	0.263

Google News Referrals/Visits	All Google Referrals/Visits	Local Google News Visits/Visits	Local Google Referrals/Visits	Local Google News Referrals/Google News Referrals	Local Google Referrals/Google Referrals
0.40%	10.80%	0.03%	2.63%	10.81%	25.23%
0.45%	15.05%	0.04%	3.99%	10.36%	27.29%
0.49%	17.49%	0.04%	5.19%	9.22%	29.38%
0.59%	18.78%	0.07%	5.63%	12.47%	29.98%
0.61%	22.12%	0.08%	7.24%	13.18%	32.97%



How Important is Google for Domains?

Table 1: Google News and Domains

	(1)	(2)	(3)	(4)
	ln(Visits+1)	ln(Visits+1)	Local Share	Local Share
Google News Indicator	.0663** (5.44)		-.0073** (-2.83)	
Google News Links		.0113** (2.93)		-.0016** (-3.01)
2007.y	-.0529** (-3.79)	-.0820** (-4.25)	.0203** (2.87)	.0241** (2.72)
2008.y	-.4197** (-23.08)	-.5305** (-21.17)	.0227** (2.76)	.0229* (2.20)
2009.y	-.5883** (-28.65)	-.7124** (-26.19)	.0384** (4.31)	.0503** (4.50)
2010.y	-.5820** (-26.54)	-.7272** (-21.76)	.0150+ (1.71)	.0335** (3.16)
Constant	2.1234** (111.92)	2.4889** (92.48)	.3887** (48.82)	.3499** (33.92)
Adj. R-Squared	.74	.82	.33	.41
N	513874	271542	513874	271542

Standard errors clustered by domain. T-statistics in parentheses: + p 0.1 * p 0.05, ** p 0.01.

All specifications include domain fixed effects. Month, Day & Weekday dummies not shown.

Localism Experiment

- On February 7, 2008, Google introduced a local option on Google News
- On June 30, 2010, major Google News redesign automatically included local content based on IP location.
- Effect: lowered the transaction cost of finding & reading local content

$$V_{it} = b_0 + b_1 \text{post} + b_2 \text{trend} + b_3 \text{post_trend} + \tau + \gamma + e_{it}$$

January 31, 2008

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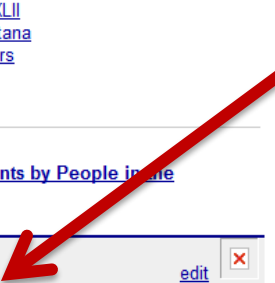
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TIME - 42 minutes ago



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Effect of Google Local on Demand

Table 4: Local News Visits

	Local Referrals from Google News		Local Referrals from Google	
	(1) Pr Visit	(2) Ln(Visits+1)	(3) Pr Visit	(4) Ln(Visits+1)
Post Treatment	.00051 (1.54)	.00035 (1.53)	.00660** (5.57)	.00571** (5.74)
Time Trend	-.00002 (-1.18)	-.00001 (-.66)	-.00016** (-4.69)	-.00012** (-4.19)
Post x Trend	.00001 (.51)	.00000 (.07)	.00006+ (1.84)	.00005 (1.63)
Constant	.00059 (1.30)	.00062+ (1.77)	-.00216* (-1.96)	-.00166 (-1.64)
Adj. R-Squared	.15	.14	.13	.13
N	577978	577978	577978	577978

Dependent variable in columns (1) & (3) are indicators, in columns (2) & (4) are log visits.

All specifications include household fixed effects. Excludes New York MSA and Non-MSA households.

Standard errors clustered by machine. T-statistics in parentheses: + p 0.1 * p 0.05, ** p 0.01.

Sample: 15,674 Households, 199 Days. Month & weekday dummies not shown.

July 1, 2010

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Round of 16

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Upcoming matches

Quarter-finals

Jul 2 7:00 AM (Pacific Time) on ESPN
 Netherlands vs. Brazil

Jul 2 11:30 AM (Pacific Time) on ESPN
 Uruguay vs. Ghana

San Francisco Bay Area - Edit

52°F Thu Fri
 Clear Partly Cloudy Partly Cloudy
60°F | 51°F 82°F | 53°F 81°F | 54°F

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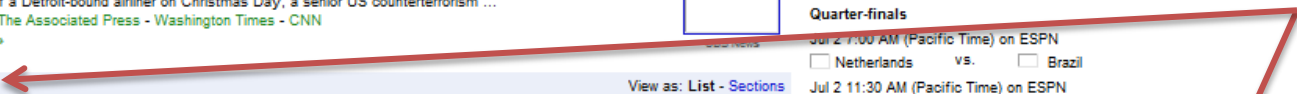
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Effect of Google Local on Demand

Table 6: Local News Visits 2010

	Local Referrals from Google News (1) Ln(Visits+1)	Local Referrals from Google (2) Ln(Visits+1)
Post Treatment	.00118 (1.54)	.00585* (2.28)
Time Trend	-.00002** (-3.60)	-.00008** (-4.51)
Post x Trend	.00002** (3.78)	.00016** (7.03)
Constant	.00129* (2.28)	.01864** (10.08)
Adj. R-Squared	.07	.15
N	940738	940738

Dependent variable in columns (1) & (3) are indicators, in columns (2) & (4) are log visits.

All specifications include household fixed effects. Excludes New York MSA and Non-MSA households.

Standard errors clustered by machine. T-statistics in parentheses: + p 0.1 * p 0.05, ** p 0.01.

Sample: 12,004 Households, 199 Days. Month & Weekday dummies not shown.

Effect of Google Local on Demand

Table 7: Local News Consumption Shares 2010

	Local Share - All News Visits (1)	Local Share - Google Referrals (2)	Google Share of Local Visits (3)
Post Treatment	.08143** (2.63)	.08143** (2.63)	.08048 (1.43)
Time Trend	-.00025* (-2.13)	-.00025* (-2.13)	.00010 (.51)
Post x Trend	-.00020 (-.62)	-.00020 (-.62)	-.00133* (-2.24)
Constant	.23751** (20.01)	.23751** (20.01)	.26171** (13.47)
Adj. R-Squared	.49	.49	.58
N	139845	139845	46075

All specifications include household fixed effects. Excludes New York MSA and Non-MSA households.

Standard errors clustered by machine. T-statistics in parentheses: + p 0.1 * p 0.05, ** p 0.01.

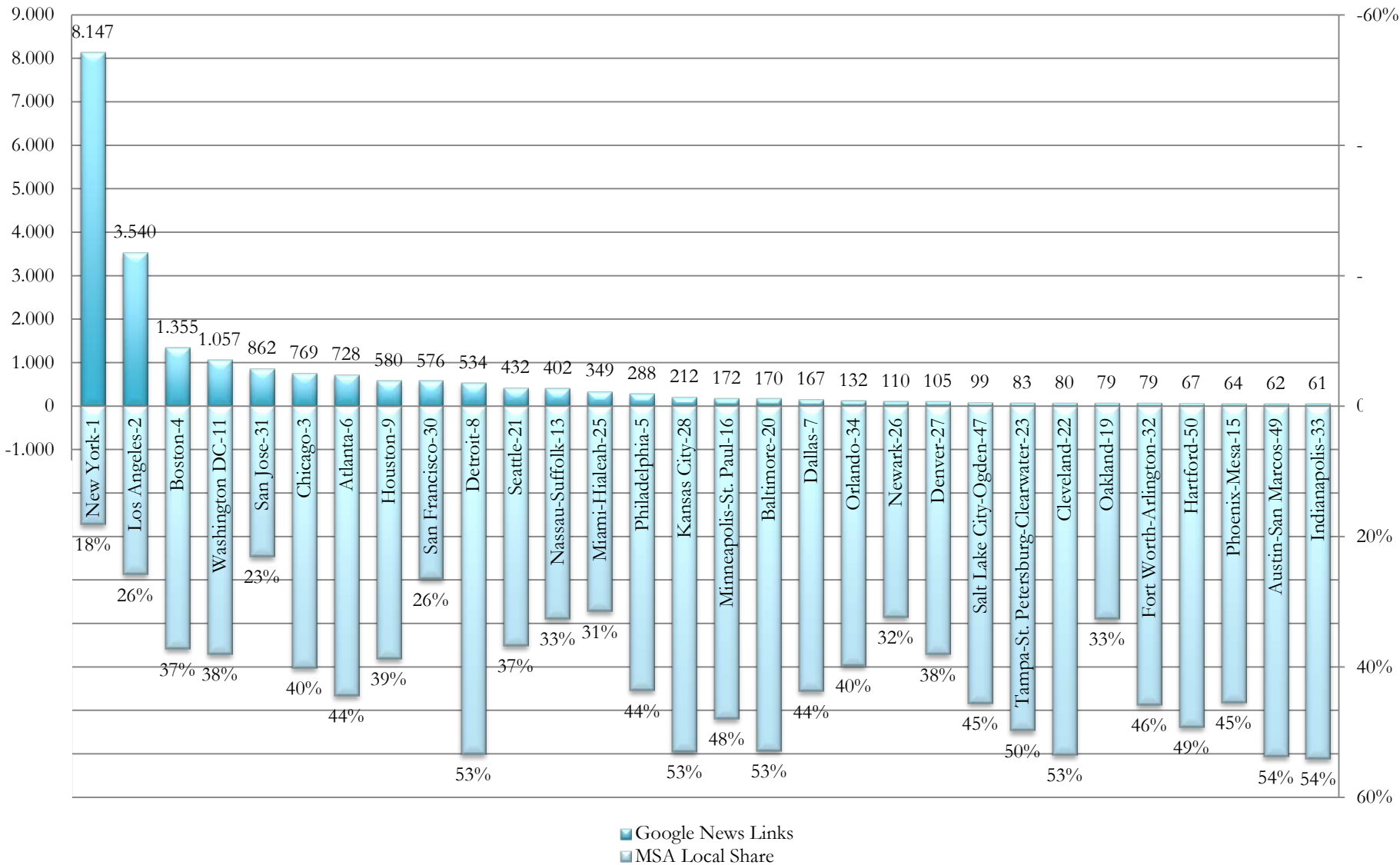
Sample: 12,004 Households, 199 Days. Month & Weekday dummies not shown.

Effect of Google Local on Outlets

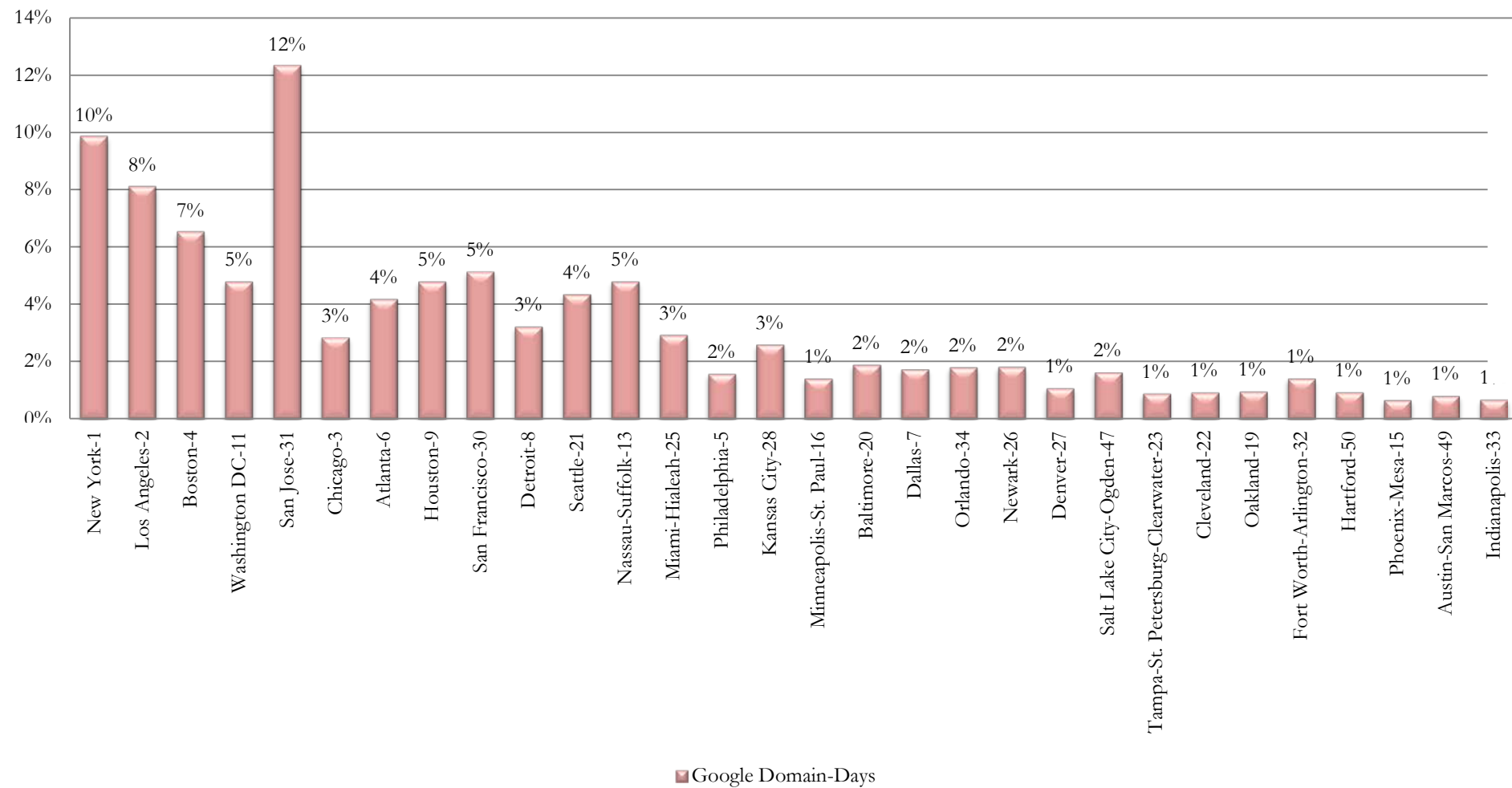
Preliminary Conclusions

- Intermediaries are an important feature of news markets and are growing more so
- Need for theory and empirical work to understand their role
- Preference externalities persist on line
 - Supply of local content still lags for minority tastes
- Lower transaction costs can shift behavior, but overall effect is small

Google News Links by MSA, MSA Home-Share & Population Rank



Referral Share from Google News, by MSA



Sample Stats - Domains

Sample Stats - Domains		
Unique News Domains		9083
Domains Linked in Google News		987
Domains Referred from Google News		262
Share Linked		10.4%
Share Referred		2.9%
News Visits		8487857
Visits to Google News Sites		2004442
Visits Referred from Google News		24040
Share Linked		23.6%
Share Referred		0.3%

Working Data

- Households
 - Daily news visits by 45,000-65,000 households
 - Local News Visit Share, Google Referral Share
 - Local-Google Referral Share
 - Location (MSA) & Basic Demographics
- News Domains
 - Daily visits to 9000 top-level news domains
 - Local & Non-Local User Share
 - Indicator for source listed on, referred by Google News
- Time: 874 days 2006-2010