

# The Internet and the Media



# The Internet and the Media

- Few industries have been transformed by the Internet as much as the media
- Some of the changes have been good, some bad
- Some of the bad changes are, in hindsight, from outlets shooting themselves in the foot, with roots that go back to the mid-1990s
- There are still unresolved issues

# The Web Explosion

- Although commercial use of the Internet was legally possible by about 1990, there wasn't very much interest until around 1994
- The difference: the release of the first popular graphical web browser, NCSA Mosaic
- This was followed soon afterwards by the first commercial browser and web server, from Netscape
- Microsoft hurriedly added TCP/IP and a web browser to Windows 95, not that long before its release
- The Internet was suddenly usable by non-nerds—and its use exploded

# The Tenor of the Times

*Driven by the rise of Internet-related companies, the logic of doing business in a “digital” economy is starting to sweep through more and more precincts of American business. The result: One of the sacred tenets of business – you have to make money — suddenly looks almost like a quaint artifact of an outdated era. Many investors care less about a company’s being in the black than about its ability to win turf in what has become a giant land grab.*

*“In a slower world, such as a textile company, profits do matter,” says Greg Bohlen, an investment banker at J.C. Bradford & Co., Nashville, Tenn. But in the Internet age, “it’s extremely important to gather mass and be the first and biggest out there,” he says. “When you’re in a fast-paced world” and when “the barriers to entry are very low, profits don’t matter — it becomes market share.”*

Wall Street Journal, May 19, 1999

- The Internet seemed like a natural fit for the news media
- The Internet was all about moving information around, and media companies already had the information
- The challenge, as they saw it, was to gain market share—and mind share—rapidly
- Profits would of course follow...

# The Basic Strategy

- Give away the content for free
- Attract users
- Profit by advertising, or maybe by charging—some day

# Even Google Started that Way

- The original Google search engine results page had *no* ads
- (Actually, there was a lot of doubt that Internet advertising actually worked)
- Google got people hooked by delivering better search results—and *then* they started selling ads

# It Couldn't Last

- The .com bubble burst in 2000
- The ones that couldn't show a profit went away
- Most of the old-type media survived, as did their websites—for a while



# The Search for a Business Model

- To survive, media companies needed to make money online
- In the pre-Internet days, subscriptions covered only a portion of the costs—ads provided a majority of the revenue stream
- Could that be replicated online? Most sites tried.

# The Internet Wasn't the Only Factor

- In 1960, New York City had seven daily newspapers: the *New York Times*, the *Herald Tribune*, the *Journal American*, the *World Telegram and Sun*, the *Daily News*, the *Post*, and the *Daily Mirror*
- A decade later, there were only three
- The culprits: higher costs and competition from television newscasts

- It isn't feasible to have nearly as much advertising online as used to appear in print newspapers
- But serious journalism is expensive: the *New York Times* has 1,700 reporters, the *Wall Street Journal* has over 1,800, and even the *Washington Post* has more than 1,000
- Smaller papers don't have staffs that large—but they also have much smaller readership

- Newspapers used to make a lot of money from classified ads for jobs, houses, used cars, etc.
- The Internet mostly killed that—specialized ad sites for real estate, jobs, dating, etc.
- Craig's List did the rest

# Smaller, Local Papers

- Even before the Internet, most newspapers couldn't afford Washington correspondents, let alone foreign correspondents
- Instead, they covered local and perhaps state news, and relied on wire services—Associated Press, UPI, Reuters, etc.—for broader coverage

# Radio and Television

- Radio had always depended on ads for their sole support—but enough bandwidth for that much streaming is expensive
- 👉 Local advertisers aren't interested in listeners half a world away
- TV stations used to be completely ad-supported; these days, however, many collect a lot of money from cable networks that want to carry their signal
- Television bandwidth is even more expensive

- News sites, of course, can do all the usual sorts of tracking
- However—advertisers can measure click-through and conversion: how many ads result in sales
- This creates pressure to attract people to pages with ads

## The Race for Clicks—You Won't Believe #3

- Many sites do all sorts of things to get you to certain pages
- Should hard news sites—like the *New York Times*—do such things?
- One opinion I've heard: “If they want to run clickbait stories to keep the business going, that's fine, if it lets me cover real stories”



- Google and Facebook have captured the largest share of online ad dollars
- This leaves little money to go to the news sites
- Besides, many people are getting their news from Facebook, rather than from the news sites

- Many sites started adopting paywalls: to read beyond the headlines, you needed to subscribe
- A few sites, e.g., the *Wall Street Journal* and the *Financial Times*, have always charged
- They might be modified paywalls: a few free articles per month
- Other sites share some articles but not all: *Politico* versus *Politico Pro*
- The important sites can do this—but can small, local outlets?

- Many outlets cover a lot less than they used to
- Example: In 1981, the Sunday *New York Times* always had a photography article, accompanied by 3–4 pages of camera ads
- And the *Times* covers a lot less of New York City than it used to. . .
- Even the sports section has shrunk significantly

# Outside Funding

- Some media outlets have outside funding
- Jeff Bezos bought the *Washington Post*
- Craig Newmark, of Craig's List fame, has donated a lot of money to various journalism outlets
- NPR has always been largely listener-supported
- But does this scale? Do funders have their own agendas?

- More and more, local papers are closing
- 👉 Sometimes, private equity firms buy them, strip them of assets, and shut them down
- A substantial proportion of the country has no local papers
- They cover local stories—and they're also more trusted than the national media

# The Problem

- The print news media has long been under economic stress
- The Internet has exacerbated the stresses
- The 1990s concept—gain “eyeballs” (market share) at all costs, and that “information wants to be free”—has turned into a trap: people are now unwilling to pay for news, and today’s online advertising doesn’t cover costs

# What Can Be Done?

- There do not seem to be any simple solutions
- Competition for the online ad market might help, in that it may allow more money to flow to sites
- There have been attempts at aggregation sites—pay once for access to many, or some number of articles
- It is unclear how well these will work (except, of course, for Facebook)

# Questions?



(Yellow-bellied sapsucker, Morningside Park, December 5, 2021)