

New study finds Internet not responsible for dying newspapers

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We all know that the Internet has killed the traditional newspaper trade, right? After all, until the general population started interacting with the web in the mid-90s, the newspaper business was thriving—offering readers top notch journalism and pages of ads.

But a recently-published study finds that we may be all wrong about the role of the Internet in the decline of newspapers.

According to research by University of Chicago Booth School of Business Professor Matthew Gentzkow, assumptions about journalism are based on three false premises.

In his new paper, "Trading Dollars for Dollars: The Price of Attention Online and Offline," which was published in the May issue of the *American Economic Review*, Gentzkow notes that the first fallacy is that online advertising revenues are naturally lower than print revenues, so traditional media must adopt a less profitable business model that cannot support paying real reporters. The second is that the web has made the advertising market more competitive, which has driven down rates and, in turn, revenues. The third misconception is that the Internet is responsible for the demise of the newspaper industry.

"This perception that online ads are cheaper to buy is all about people quoting things in units that are not comparable to each other—doing apples-to-oranges comparisons," Gentzkow says. Online ad rates are typically discussed in terms of "number of unique monthly visitors" the

ad receives, while circulation numbers determine newspaper rates.

Several different studies already have shown that people spend an order of magnitude more time reading than the average monthly visitor online, which makes looking at these rates as analogous incorrect.

By comparing the amount of time people actually see an ad, Gentzkow finds that the price of attention for similar consumers is actually higher online. In 2008, he calculates, newspapers earned \$2.78 per hour of attention in print, and \$3.79 per hour of attention online. By 2012, the price of attention in print had fallen to \$1.57, while the price for [attention](#) online had increased to \$4.24.

Gentzkow also points out that the popularity of newspapers had already significantly diminished between 1980 and 1995, well before the Internet age, and has dropped at roughly the same rate ever since. "People have not stopped reading newspapers because of the Internet," Gentzkow notes.

More information: [econpapers.repec.org/article/a ...
3a5_3ap_3a481-88.htm](http://econpapers.repec.org/article/a...3a5_3ap_3a481-88.htm)

Provided by University of Chicago Booth School of Business

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