

„Social media and the news industry”

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Abstract

This paper explores news providers' choice of quality when they compete in the presence of a monopolistic social network (platform) that strategically decides on the mix of content that its members are exposed to. Consumers are assumed to divide their time between the platform and the news publishers' sites depending on their relative preferences for consuming 'User-Generated Content' (UGC) and professional news. We show that, by showing news produced by publishers, the platform can increase the share of attention it receives as well as its profit, even after accounting for revenue sharing with publishers. Even though overall news consumption can go up, we show that newspapers' profits and quality tend to go down compared with a situation where the platform cannot provide links to news content.

Our analysis covers cases with a monopolistic or competing newspapers. We discuss the possibility for newspapers to opt-out of the platform, and the case where the platform can personalize the content it shows to each consumer.