

Paywalls: Monetizing Online Content

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Abstract

In recent years, many providers of news and entertainment have been exploring the possibility of monetizing online content. In the context of newspapers, the paywall instituted by the New York Times starting in March 2011 is a well-publicized case in point. While the premise behind paywalls is that the subscription revenue can potentially be a new source of income, the externalities that might arise as a consequence of the change in pricing are unclear. We study three potential externalities of newspaper paywalls and compare them against the new direct subscription revenue generated. The first two externalities that we consider are the effect of a paywall on the engagement of its online reader base, which likely impacts the newspaper's advertising revenues; we term the latter the indirect effect of the paywall. Erection of the paywall can adversely affect the number of visitors to a newspaper's website. This, in turn, can lower the quantity of ad impressions that can be served on the newspaper's website. On the other hand, the newspaper is likely to have richer information on subscribing visitors, increasing its ability to serve targeted ads. Therefore, the paywall can potentially help a newspaper charge higher ad rates as a result of the improved quality of the served ad impressions. The net indirect effect of paywalls is likely to depend on the relative magnitudes of the changes in the quantity and quality of ad impressions subsequent to the paywall. The third externality is the spillover effect on the print version of the newspaper. If readers view print and online versions of a newspaper as substitutes, increasing the price of the latter is likely to increase the demand for the former. Moreover, many newspaper paywalls offer print subscribers free access to the online newspaper. Therefore, the value that a reader derives from the print subscription could be higher subsequent to the erection of the paywall. As a result, paywalls are likely to have a positive spillover effect on print subscription, and consequently, circulation. We document the sizes of the three externalities for the New York Times paywall and compare them with the direct subscription revenue generated. We comment on revenue implications for newspaper publishers from this increasingly popular mechanism to monetize digital content.

Speaker Profile:

Dr. Adithya (Adi) Pattabhiramaiah joined the Scheller College as an Assistant Professor of Marketing in August 2014. His primary research interests lie in the areas of marketing analytics, information media and digital/social media marketing. Adithya's research focuses on building quantitative models, employing industry data, to better understand strategic decisions made by consumers as well as firms in markets characterized by demand externalities, and social interactions. His research has been published in Marketing Science.

Adithya teaches elective courses titled "Pricing Strategy and Analytics" and "Marketing Analytics and Pricing Strategy" at the Scheller College. He has previously taught Marketing at the University of Michigan's Ross School of Business.

Adithya has received several awards, including the '2013 MSI Alden G. Clayton Dissertation Proposal Competition Award' and the 'Best Discussant Award' at the Haring Symposium in 2012.

Before joining the Scheller College, Adithya received his Ph.D. in Business Administration from the University of Michigan in Ann Arbor. Prior to joining the academic world, he worked in product development / management for SAP Labs and Perot Systems, after receiving his Bachelor's degree in Engineering from the National Institute of Technology at Surathkal in India.

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