

## Can Online Advertising Markets Save the Media?

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**Abstract:** We provide a model of the market for advertising on news media outlets when consumers have opportunities to switch between outlets. We hypothesize that the move to online news content has facilitated greater consumer switching, as well as heterogeneity in consumer switching patterns. The news outlets are modeled as competing two-sided platforms bringing together heterogeneous, partially multi-homing consumers with advertisers with heterogeneous valuations for reaching consumers, and the multi-homing behavior of the advertisers is determined endogenously. The presence of switching consumers means that, in the absence of certain consumer tracking technologies, scarce advertising capacity is taken up by advertisers purchasing wasted impressions on outlets, as a given advertiser may reach the same consumer too many times. This has subtle effects on the equilibrium price for ad impressions and the profits of outlets, and it may lead to heterogeneity in the multi-homing behavior of advertisers. We characterize the impact of greater consumer switching on outlet profits and the impact of technologies that track consumers both within and across outlets on those profits. Somewhat surprisingly, superior tracking technologies may not increase outlet profits. In addition, we analyze the impact of blogs, aggregators and paywalls on outlet profits from advertising, which ultimately determine market structure and outlet quality investment.