

Discussion of *News Aggregators and Competition  
Among Newspapers in the Internet* by Doh-Shin Jeon  
and Nikrooz Nasr Esfahani

David Sauer

Toulouse School of Economics

March 22, 2012

# Research question

- How do news aggregators affect content providers (investment incentives, profits) and consumers?
- business stealing (consumers read on aggregator's site) vs. market expansion (reach more consumers, sent to newspaper's site via link)

- firms compete directly against aggregator, not other newspaper
- optimal strategy depends on whether business stealing or market expansion effect dominates
  - low ad revenue (additional time spent on 2nd click, ad price): want to fight aggregator → minimum differentiation
  - high: want aggregator to be strong → maximum differentiation
- if aggregator leads to max diff eq → quality increases: consumers gain; ambiguous effects on profits (low costs, profits increase; high cost, profits decrease)
- firms worse off if aggregator induces minimum differentiation (costly to fight aggregator); can be ruled out by allowing firms to opt out
- strategic interactions changed from substitutes to complements (no aggregator vs. max diff eq)

- very interesting paper
- elegant modelling
- captures all effects of the debate
- maximum/minimum diff equilibrium: comparison of ranges of equilibrium existence
- consumer's interest: more interested in certain issues, more likely to be those closer to their ideal tastes  $\Rightarrow$  less scope for aggregator
- investment cost function: some mixture between overlapping and exclusive quality cannot happen