

Discussion of Bergemann & Bonatti
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Summary

This is a paper about informative advertising

- Different consumers want different products
- Whether they ever learn about those products depends on whether the products are advertised in media that they pay attention to
- Welfare is increasing in the number of matches

Summary

The authors model numerous environments

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Summary

There are three key parameters in the model

- is the concentration in the product “market”
Bigger when more consumers want a smaller number of products
- is the concentration of consumers in advertising markets
Bigger means easier to target the right consumers
Social welfare is increasing in
- is the fraction of time spent on online media



Questions

How much work is being done by the assumption that each consumer buys nothing unless they receive a message from their ideal product?

- Particularly for the result that better targeting causes lower advertising prices

I'm also a bit confused about how there can be a continuum of products and advertising markets

Comments

The modeling is elegant and very impressive

Results are built up logically step-by-step

- This is mostly a good thing, but it did cause the most important results (offline vs. online) to be deferred to the very end of the paper
- I also found it a bit hard to keep track of all the different effects and cases

Comments

My main concern regards the real-world relevance of informative advertising about the existence of a product

There is certainly informative advertising about prices

But how much is there really about product existence?

- And is there really often nothing similar to buy instead?

Moreover, the model assumes that consumers pay attention to media for the *purpose* of learning about products

- This makes me confused about the bicycles example

In my view, the overwhelming majority of advertising is persuasive and not informative in nature

- “One Quarter of GDP is Persuasion” (McCloskey & Klamer, 1995)

Conclusions

The model is very rich and ambitious

It is carefully and logically developed, but the large number of results made it somewhat difficult to focus on what was important

In my view, informative advertising regarding product availability, though real, is minor relative to the issue of persuasive advertising