Discussion of Sinkinson & Starc "Consumer Advertising Competition in Prescription Drugs"

By Ginger Z. Jin
University of Maryland & NBER

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This paper

- Research Question
  - What's the effect of DTCATV on the demand of self and competing products?
  - How do firms choose DTCATV strategically in a dynamic setting?
  - What if we ban DTCATV or allow firms to collude in DTCATV?
- Contribution
  - Local political ads displace local drug ads on TV and therefore serve as IV for DTCATV   help identify causal effect of DTCATV
  - A structural model of strategic and dynamic advertising decisions
- Findings:
  - DTCATV has business stealing effect on brand name drugs, but market expanding effect on non advertising generics

Demand estimation (static)

- Dep.

Heterogeneous effect of DTCATV

- Shows that the effect of DTCATV differ for brand name and generic drugs

- Does the effect of DTCATV differ by drug age?
  - Is the business stealing effect smaller over time?
  - Does the advertising effect vary by the attributes of competing drugs?
  - Does the market expansion effect apply to brand name non advertising drugs?
  - Does the effect of DTCATV depend on the intensity of direct to doctor advertising?

Structural model of DTCA decisions

- Every firm makes a monthly decision of DTCA with market shares as the state variable

- Why do we need a dynamic model

Identification issues
in the dynamic model

- How to identify the transition matrix

Questions on a larger picture

- Informative or persuasive advertising?
- Business stealing advertising does not necessarily reduce consumer welfare
  - Switches may lead to better drug patient match
- Advertising contents
  - A statin ad rather than Lipitor ad?
- Other firm decisions – pricing, me too drugs, direct to doctor advertising

In summary

- Interesting read
- Refinement of IV
- A better connection between static demand estimation and