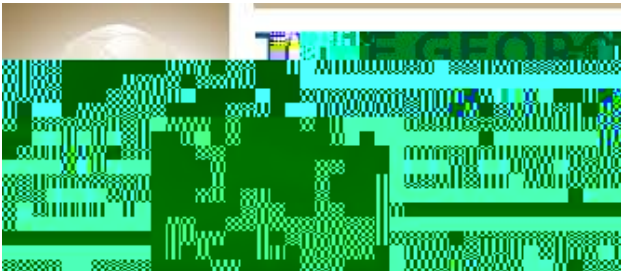


Discussion  
“Behavioral Advertising and Consumer Welfare” (by  
Alessandro Acquisti)



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Policy debate

One claim of online behavioral advertising: win-win situation for consumers, advertisers, publishers. It is online behavioral advertising that funds the free

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Online behavioral advertising: Do consumers get the economic benefits?



Assess consumer welfare effects of behaviorally targeted ads

- Are consumers better off or worse off?

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Unique literature space

Most research focuses on firm outcomes instead of consumers

Unique approach

Collect naturalistic behavior “globally” – not tied to a specific platform

Measure price and vendor quality – as opposed to ad effectiveness

Counterfactual analysis

# 1d U S T a e a e

1<sup>st</sup> stage: online participants are asked to browse randomly selected websites from their own computers.

Submit URL for ad landing page

Interstage phase: scripts are used to search online for products competing with those advertised products.

2<sup>nd</sup> stage (one week after 1<sup>st</sup> stage): each participant is shown...

Ad condition: products from ads that are displayed to them

Search condition: competing products from organic search

Untargeted condition: random ads targeted to others

**1d U S T a e a e**

DV:

Objective metrics: prices of products, third-party data on vendor quality

Self-reported measures: purchase intention, product quality, price fairness, relevance, novelty, brand, vendor

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Behavioral advertising leads to lower quality vendors and potentially higher prices

Small vendors may benefit from behavioral targeted advertising

Contrary to the industry's claim, consumers do not get a big share of

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How to define consumer welfare?

Only focus on Desktop Chrome users. Future research should consider:



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Both targeted ads and organic search results were dominated by a minority of vendors

Targeted ads, however, were more likely to be associated with lower quality vendors

Targeted ads were associated with higher prices compared to search results

On average, prices for products in ads were 8.5% higher than those for comparable competitor products found in search

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Association between targeted ads and lower-quality vendors selling at higher prices

F-rated vendors were significantly more likely among ads than search results

Product prices in ads were on average 25% higher than those in search results

Targeted ads' higher relevance and higher purchase intentions were driven by participants reporting to have previously searched for the advertised product

Raises questions around the extent to which targeted ads meaningfully reduce consumer search costs.

Targeted ads increase surplus with respect to randomly picked products in the untargeted condition but decrease it with respect to online searches.