Online Advertising and Market for Personal Data

Workshop: June 11th, 2013, Financed by LABEX OSE @ Paris School of Economics

Preliminary Program: Presentations are one-hour long, plus 10’ discussion.

MORNING SESSION. Chair: B.Caillaud

9:45-10:00 Registration, coffee and welcome.

10:00 – 11:10 “Attention Retention: Targeted Advertising and the Ex Post Role of Media Content”, G. Taylor (Oxford)

11:15 – 12:25 “When does Retargeting Work? Information Specificity in Online Advertising”, A. Lambrecht (LBS), joint w/ C. Tucker (MIT)

12:30 – 13:45 Lunch at the Cafetaria, Campus Jourdan.

AFTERNOON SESSION. Chair: J.P.Tropéano

13:50 – 15:00 “Online Advertising and Privacy”, R. De Nijs (PSE and Haas School Berkeley), with A. De Cornière (Oxford)

15:05 – 16:15 “Selling Cookies”, A. Bonatti (MIT), joint w/ D. Bergemann (Yale)

ROUNDTABLE. Chair: J.Pouyet

16:15 – 16:45 Coffee / Tea Break

16:45 – 18:15 “Challenges facing the sector of online advertising”, With Romain Niccoli or Paresh Rajwat (CRITEO), Fabien Curto-Millet (Google), Romain Perray (Univ. Paris 1), ? (Orange); Discussion introduced by ? (PSE)

19:00 DINNER for speakers, participants in the roundtable and organizers.
1. "Attention Retention: Targeted Advertising and the Ex Post Role of Media Content" (G. Taylor).

Abstract: I introduce a theory of media content based upon the idea that publishers invest in content quality in order to hold readers' attention for longer—thereby increasing their overall share of that attention and, with it, their ability to extract rents from advertisers. I use this theory to analyse the effects of rapidly advancing advertising technology. Introducing more accurate ad targeting intensifies competition in product markets as advertisers compete to serve consumers with precisely targeted needs and the imperative to rapidly arrest consumer (content) search with high-quality content is thus increased. This dynamic is not unambiguously positive: enhanced content can lead to increased product prices—offsetting any welfare gains enjoyed by consumers—and can prove so costly that publishers would benefit if they could coordinate around implementing lower targeting accuracy or higher content costs.

Paper at: http://users.ox.ac.uk/~inet0118/pdf/target01.pdf

2. "When does Retargeting Work? Information Specificity in Online Advertising" (A. Lambrecht and C. Tucker)

Abstract: Firms can now serve personalized recommendations to consumers who return to their website, based on their earlier browsing history. At the same time, online advertising has greatly advanced in its use of external browsing data across the web to target internet ads appropriately. Dynamic Retargeting integrates these two advances, by using information from internal browsing data to improve internet advertising content on external websites. Consumers who previously visited the firm's website when surfing the wider web, are shown ads that contain images of products they have looked at before on the firm's own website. To examine whether this is more effective than simply showing generic brand ads, we use data from a field experiment conducted by an online travel firm. We find, surprisingly, that dynamic retargeted ads are on average less effective than their generic equivalent. However, when consumers exhibit browsing behavior that suggests their product preferences have stabilized, dynamic retargeted ads are more effective than generic ads.


3. "Online Advertising and Privacy" (R. De Nijs and A. De Cornière)

Abstract: An online platform makes a profit by auctioning an advertising slot that appears whenever a consumer visits its website. Several firms compete in the auction, and consumers differ in their preferences. Prior to the auction, the platform gathers data which is statistically correlated with consumers' tastes for products. We study the implications of the platform's decision to allow potential advertisers to access the data about consumers' characteristics before they bid. On top of the familiar trade-off between rent extraction and efficiency, we identify a new trade-off: the disclosure of information leads to a better matching
between firms and consumers, but results in a higher equilibrium price on the product market. We find that the equilibrium price is an increasing function of the number of firms. As the number of firms becomes large, it is always profitable for the platform to disclose the information, but this need not be efficient, because of the distortion caused by the higher prices. When the quality of the match represents vertical shifts in the demand function, we provide conditions under which disclosure is optimal.


4. “Selling Cookies” (A.Bonatti and D.Bergemann).

Abstract: We develop a model of data pricing in an environment with strategically interacting firms. A monopolistic data provider determines the price to access signals about specific consumers. The demand for data is generated by firms which seek to tailor their advertising spending to the value of the match with each consumer. We derive the optimal pricing policy of the data provider, and its implications for publisher revenues in online advertising markets. We identify conditions under which the data provider profitably restricts information supply to lessen downstream competition and raise the price of information. The data provider may also reduce precision to increase revenues from signals in high demand. Finally, we investigate the welfare effects of information precision and of market power in the information sector.

Paper not yet available.