Banner and Display Advertising Online

Some Examples



I am always surprised at how poorly display ads seem to work for me. I don't even know what this is!

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"I'm so tired of hearing boys will be boys. I'm so tired of hearing, "Well kids make mistakes.' No they don't. Not when they care about their program. Not when they care about being a basketball player more than anything else. ...

"These guys decide it's more important to go out drinking than prepare for a scrimmage and compete for a job. Indiana basketball stands for nothing. Absolutely nothing."



Dan Dakich: 'Embarrassed' by 'out of control' IU basketball program

Former Indiana University men's basketball player and interim head coach Dan Dakich promised fireworks on his radio show Monday morning and the 1070

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Tracy Clark 2 hrs · @

Olympia moving and storgage totally dropped the ball!!! I need two pianos moved today. HELP!!!

TRENDING

- Sophia Loren: Actress explains infamous 1957 side-eyed photo that captured glance at Jayne Mansfield
- Benedict Cumberbatch: Actor goes old-school, announces engagement to Sophie Hunter in newspaper
- Chris Botti: Trumpeter's rendition of national anthem on 'Monday Night Football' brings Colts player to tears
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Important and growing source of revenue for web-based businesses

Quarterly revenue growth trends Q1 1996 - Q1 2014 Q1 (\$ billions)



Courtesy of Interactive Advertising Bureau. Used with permission.

Online display advertising

- Behavioral---tracking a consumer's online activities over time and providing those data to a third party for the purposes of targeting advertising
- First party---no information shared with third party
- Contextual---ads based on single page visit or search

WHEN PROFESSIONAL CAKES GO HORRIBLY, HILARIOUSLY WRONG

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Throw the Bouquet Away

November 5, 2014

I can't tell you how many wedding Wrecks I've seen salvaged with nothing more than a few well-placed bunches of fresh flowers.





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Technology

- Web bugs---code designed to be invisible to customers but allows advertisers to track customers remotely
- Cookies---information about browsing behavior written to a consumer's computer, accessible by advertisers but removable by consumers
- Clickstream data---data gathered on many users which includes websites visited, time spent, navigation path, IP address

Concerns over privacy

- 1968: Electronic Communications Privacy Act passed, which covers web-based communications in principle but doesn't have much bite.
- 2002: EU passed Privacy Directive, providing much stricter privacy safeguards than US.
- 2009: FTC released "Self-regulatory Principles for Online Behavioral Advertising."
- 2012: Obama administration proposed a framework for legislation to provide a "Privacy Bill of Rights."
- 2012: EU strengthened Privacy Directive, making most tracking opt-in.

Articles about Privacy

White House Press Release. "We Can't Wait: Obama Administration Unveils Blueprint for a "Privacy Bill of Rights" to Protect Consumers Online." February 23, 2012.

Arthur, Lisa. "EU e-Privacy Directive Takes Effect May 26 – Will Your Cookies Crumble?" *Forbes.* May 22, 2012.

What would the effects of stricter privacy legislation be?

- Can exploit "natural experiment" run by the EU when they passed the Privacy Directive.
- PD only covers EU citizens and EU websites (and was implemented at different times in different countries) so have various control groups to estimate effects.
- Goldfarb and Tucker, "Privacy Regulation and Online Advertising"
- Survey data on ~9000 ad campaigns over 8 years, and 10 countries.
- Measured ad effectiveness using natural experiment. Did consumers: See ads? Have favorable impression of firm? Intend to by products?

Privacy Directive Passed in 2002 Implemented at different times in different countries

Table 1: Implementation of Privacy Directive within Europe Implementation Country June 2004 Implemented on 21 June 2004 by the 'Trust in Computer Processing in the France Economy Act, and law of 9 July 2004 on electronic communications Directive 2002/58/EC implemented as part of the Telecommunications Act June 2004 Germany that became effective in June 2004. Italy. January 2004 The consolidated Data Protection Code (legislative decree no. 196/2003) came into force on 1 January 2004. Directive 2002/58/EC has been transposed into Dutch law, mainly by mod-Netherlands. May 2004 ifications introduced in the Telecommunicatiewet (Telecommunications Act), entering into force on 19 May 2004. Other legislation transposing parts of this Directive are, amongst others, the Wet op de Economische Delicten (Act on Economic Offenses) that implements Article 13(4) of Directive 2002/58/EC. December 2003 Directive 2002/58/EC is transposed into UK law as the Privacy and Electronic UK Communication Regulations which came into effect on December 11 2003.

Source: Eighth Aromal Report of the Article 29 Working Party on Data Protection.

Chart courtesy of Avi Goldfarb and Catherine E. Tucker. "Privacy Regulation and Online Advertising."

Results

- Ads placed under the more restrictive legal regime were 65% less effective.
- The effect was bigger for ads on generalinterest websites and smaller for ads on specialty websites.
- The effect was bigger for simpler, low-tech ads and smaller for fancy ads with interactive, video, or audio features.

Implications of decrease in ad effectiveness

- Study looks at short-run effects of policy change---in the long run would expect equilibrium prices of display ads to go down.
 - Could affect web-browsing experience, with both the number and obtrusiveness of ads potentially increasing.
 - Could affect the viability of ad-supported websites, especially general-interest ones.
- Could result in a decrease in consumer welfare because ads are simply less relevant and useful.
- Could exacerbate negative externalities of irrelevant ads on other ads.

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