

Online advertising and privacy

by

Alexandre de Cornière

Romain de Nijs

Paper discussion by
Chris Dellarocas

Boston University

dell@bu.edu

Paper summary



	Consumer	Publisher	Advertiser
Privacy	Less relevant ads but lower product prices	Maximum surplus extraction	Low prices and all profits taken away by publisher
Disclosure	More relevant ads but higher product prices	Imperfect surplus extraction but higher bids	High prices and positive net profits

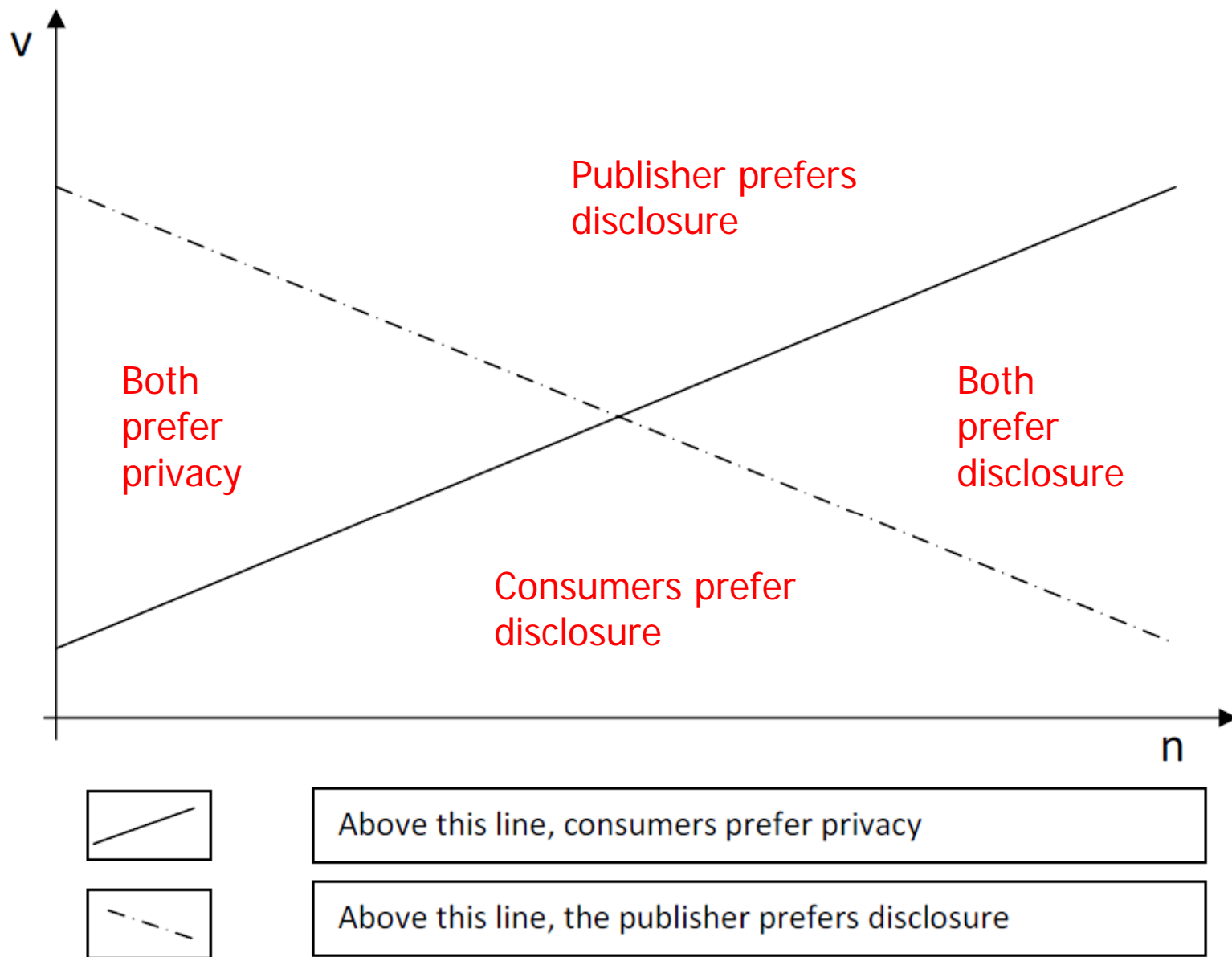


Figure 3 : Preferred policies, depending on n and v

Key managerial & policy implications

- Firms always prefer disclosure
- Consumers prefer disclosure if v not too high
- Publisher (entity who usually controls whether to disclose) prefers disclosure except when
 - there are few advertisers
 - the match premium (v) is small

Paper strengths

- Analyzes an interesting second-order effect of consumer information disclosure by advertising intermediaries
 - Sellers may lose revenue by giving away information to buyers about the private value of the good they are selling to them (Ganuza 2004)
 - This makes buyer valuations more heterogeneous and thus makes it more difficult for the seller to extract surplus
 - At the same time this typically increases some buyer valuations so if there are sufficiently many high valuation buyers ultimately it helps the seller
- Looks at implications for all players
- Clean model and results
 - With the exception of some notation that I found confusing (using superscripts for r^m , p^m)

Caveats

- Assumes publisher is only channel
 - Implications for pricing
- Assumes publisher is a monopolist
 - What happens if competition from other publishers who use disclosure policy as strategic variable

Recommendations

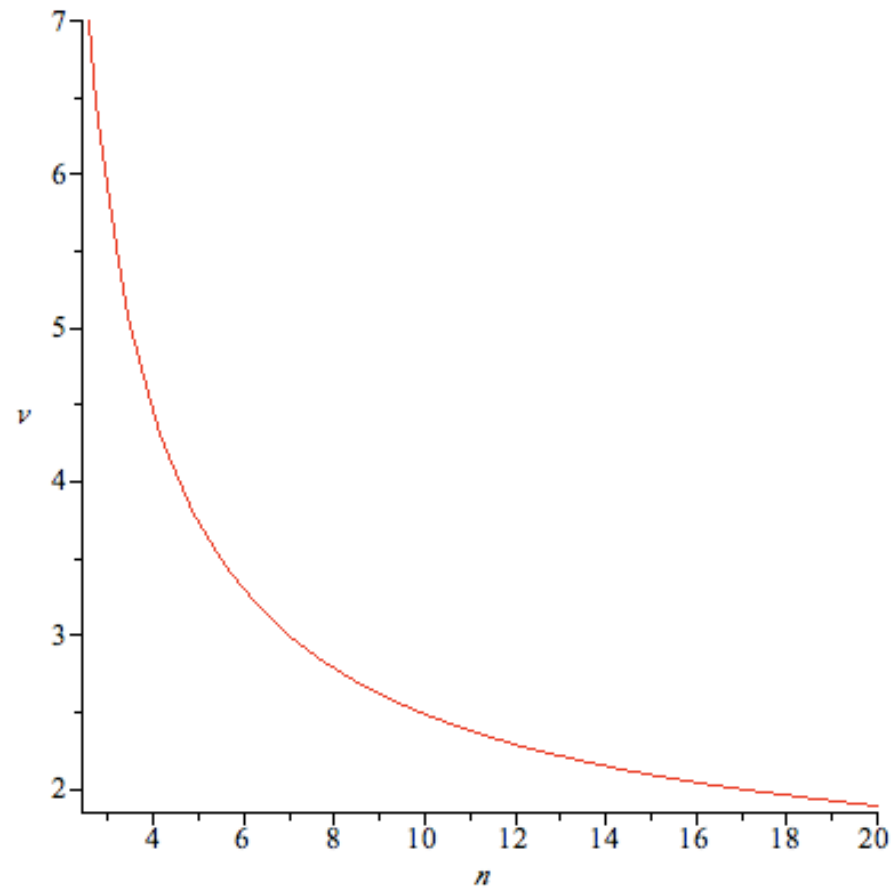
- What is the paper's key message?
 - We live in an environment where the “common wisdom” seems to be that providing advertisers with better consumer targeting information is the way to go
 - Lots of entrepreneurial activity (from publishers) trying to do just that
 - Paper introduces a second-order caveat to this trend but ultimately (I think) concludes that, in most practical settings, this caveat doesn't change the verdict (i.e. disclosure is good for the publisher, except in special cases)
 - I expect the verdict to be even stronger in favor of disclosure if one introduces publisher competition, see Bapna, Dellarocas and Rice 2010.

Recommendations

- Paper needs a “so what” story
 - If the story is “*despite the caveat we are presenting here, publishers almost always prefer disclosure*” need to explain why the region where they don’t is not practically very important
 - If the story is “*hey, here’s a caveat that has not received much attention and which makes publishers sometimes prefer privacy*” need to show that the region where this happens corresponds to important practical settings + is robust to competition from other publishers, alternative modeling specifications, etc.
 - What other stories are possible?

Recommendations

- Curve above which publisher prefers disclosure



Conclusions

- Neat result and analysis
- Moving forward, focus on discussing what this means to practice