



**THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY
DEPARTMENT OF MARKETING**

Online Advertising as Passive Search

Prof. Raluca M. Ursu

New York University Stern School of Business

Date: 24th Mar 2023 (Friday)

Time: 9:30 am – 11:00 pm

Venue: Online meeting via Zoom

Abstract:

Standard search models assume that consumers actively decide on the order, identity, and number of products they search. We document that online, a large fraction of searches happen in a more passive manner, with consumers merely reacting to online advertisements that do not allow them to choose the timing or the identity of products to which they will be exposed. Using a clickstream panel data set capturing full URL addresses of websites consumers visit, we show how to detect whether a click is ad-initiated. We then report that in the apparel category ad-initiated clicks account for more than half of all website arrivals, are more concentrated early on in the consumer search process, and lead to less in-depth searches and fewer transactions, consistent with the passive nature of these searches. To account for these systematic differences between active and passive searches, we propose and estimate a simple model that accommodates both types of searches. Our results show that incorrectly treating all searches as active inflates the estimated value of brands that advertise frequently. Finally, we show that our model can more accurately recover data patterns, especially for advertising brands, and we explore two extensions of it, accounting for ad targeting and different forms of advertising.