

Advertising Spillovers: Field-Experiment Evidence and Implications for Returns from Advertising

Navdeep Sahni
Assistant Professor of Marketing
Stanford GSB

I analyze the impact of online ads on the advertiser's competitors using data from randomized field experiments on a restaurant search website. I find significant positive causal effects of ads on sales-leads for non-advertised restaurants. The spillover benefits are concentrated on restaurants that serve the advertiser's cuisine and have a high rating on the website. The extent of spillovers also depends on the intensity of the advertising effort. The spillovers are largest when the intensity of advertising is low. As the intensity increases, the spillovers disappear and the advertiser gains more. These patterns are consistent with the following mechanism: Ads increase the chance of consumers buying the advertised product, but also remind consumers of similar (non-advertised) options. Higher ad intensity leads to a stronger direct effect favoring the advertiser and can offset the spillover caused by the reminder.