

Online ads circumvent offline ad bans, researcher says

May 31 2011, By Ken McGuffin

Not allowed to advertise your booze or smokes on a billboard? That's okay. Research shows online advertising works especially well in places with government ad bans.

“If you want to regulate the offline world, you have to remember that people have access online too and you have to think about how that online world is going to mitigate the effects of your regulation,” said Avi Goldfarb, a marketing professor at the University of Toronto’s Rotman School of Management who co-wrote a study on the topic with Catherine Tucker of MIT’s Sloan School of Management.

The researchers compared data on respondents in 17 U.S. states where there are [advertising](#) restrictions on alcohol, with data for respondents in 33 states that did not regulate such advertising.

Respondents in states subject to restrictions were eight percent less likely to say they would purchase an alcoholic beverage. But that gap narrowed to three percent when some of those consumers were exposed to online advertising for the product, suggesting the internet hurts the ability of local government to curb the effect of advertising on their residents.

Smaller local studies reinforced these findings, showing an increase in regulation of offline advertising increased the effectiveness of online ads, making them a “substitute” for the offline format.

The study shows that online advertising works especially well with consumers who have limited knowledge of a product - either because the product is new in the marketplace or because the consumer has not had exposure to it through other forms of advertising.

Besides the implications for authorities seeking to regulate advertising for things like tobacco, prescription drugs, and gambling, the study has implications for products that may be hard to advertise offline for other reasons besides legal restrictions.

“With people who you have a hard time reaching offline, those are the cases where online advertising is the most valuable,” said Goldfarb.

While the findings may lead authorities to question the usefulness of advertising bans that do not include the online world, they may still be effective with narrowly-targeted groups, such as restricting certain kinds of ads around schools, Goldfarb said.

“Regardless of the situation, you need to remember people have this other channel to access information and that should inform your regulation. It shouldn’t necessarily prevent your regulation.”

More information: The study, which was published by the *Journal of Marketing Research*, is available online at www.marketingpower.com/AboutAMA/Pages/AMA%20Publications/AMA%20Journals/Journal%20of%20Marketing%20Research/TOCs/SUM_2011.2/advertising_bans.aspx

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