

Online consumers shy away from sponsored product listings, study finds

November 28 2023, by David Danelski



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Sometimes it doesn't pay to advertise.

Such are the findings of [a study](#) led by a UC Riverside business professor that examined the value of participating in the "sponsored" product advertising spaces offered by major online shopping platforms such as Amazon.com and eBay.

Sellers pay platforms advertising fees per click for such spots, which label the [products](#) as "sponsored" or, on some platforms, as "ad," and place them in designated ad slots blended into search query results viewed by consumers. Platforms and sellers expect the "sponsored" and "ad" signs to be more visually prominent.

Consumers, however, tend to view sponsored listings with suspicion and often prefer to click on what are called "organic" listings that appear high in their product search results but are not sponsored, said Mingyu "Max" Joo, an assistant professor of marketing in UCR's School of Business and lead author the study. Platforms and sellers expect the "sponsored" and "ad" signs to be visually prominent.

In fact, a sponsored listing can be detrimental when it replaces a seller's organic listing that would have appeared in the top few positions in the search results. In these situations, consumers are more likely to click and purchase the same product when it appears as an organic listing.

The study was based on the analysis of 448,417 sponsored and organic listings for 8,720 unique products from a leading e-commerce platform in India accessed through a mobile device app.

It's a matter of trust, Joo said.

"Customers don't trust a seller's self-promotion they perceive in sponsored listings," Joo said. "If there is something in the second

position that is subsidized by the seller, the subsidized product is not perceived as the actual number two."

On the contrary, high-ranking organic listings come with the sense of a third-party stamp of approval. Consumers view the platform's algorithms that rank seller listings as a credible evaluator, Joo said.

Sponsorships, however, are still good investments in certain situations. Sponsorships can pay off when sellers' listings organically appear far down in the consumer's product query results and may not be frequently exposed to consumers. This is because the sponsorship advertising may increase the seller's exposure and the benefits from the incremental exposure may offset the losses from the ad avoidance and per-click ad cost.

Additionally, the type of product matters. When consumers seek clothing or fashion items, the [consumers](#) do not avoid "sponsored" listings because they make choices based on how the products look and worry less about the "trustworthiness" of a seller that carries the products. But for products that result in future user experiences, such as [consumer electronics](#), shoppers prefer to purchase from a trusted source, that is, the highly ranked organic listing, the study found.

The study's finding presents a conundrum for [sellers](#). They do best when their organic listings appear high in the results of consumer product searches. Yet, what data is used and prioritized by the [platform](#) algorithms that produce product [search results](#) are closely regarded secrets, Joo said.

Titled "[Do Sellers Benefit from Sponsored Product Listings? Evidence from an Online Marketplace](#)," the study is currently available as a working paper on the *SSRN Electronic Journal*.

More information: Mingyu Joo et al, Seller Incentives in Sponsored Product Listings on Online Marketplaces, *SSRN Electronic Journal* (2021). [DOI: 10.2139/ssrn.3896716](https://doi.org/10.2139/ssrn.3896716)

Provided by University of California - Riverside

Citation: Online consumers shy away from sponsored product listings, study finds (2023, November 28) retrieved 29 April 2024 from <https://phys.org/news/2023-11-online-consumers-shy-sponsored-product.html>

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