

# Location (Dis)Advantages and Mobile Targeted Advertising

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## **Abstract**

Small businesses rely heavily on local visitor traffic, but high-traffic locations also bring greater competition. To attract local customers, many of these businesses utilize cost-effective mobile advertisements with location targeting. Using large-scale field data from a major platform covering the entire metropolitan area of Seoul, Korea, we investigate the effectiveness of location-targeted mobile advertising by small business advertisers on users' mobile engagement. To address potential endogeneity concerns stemming from target location choices, we construct shift-share instrumental variables (Bartik 1991) by leveraging exogenous ad audience shocks at the aggregate level. Estimating IV regressions, we provide large-scale evidence that neighborhood-targeted mobile ads significantly increase mobile traffic, word-of-mouth, and physical visits.