Chance Constrained Optimization for Targeted Internet Advertising

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Abstract

We introduce a chance constrained optimization model for the fulfillment of guaranteed display Internet advertising campaigns. The proposed formulation for the allocation of display inventory takes into account the uncertainty of the supply of Internet viewers. We discuss and present theoretical and computational features of the model via Monte Carlo sampling and convex approximations. Theoretical upper and lower bounds are presented along with a numerical substantiation.

Keywords: Internet advertising, chance constrained programming, sample approximation, convex programming

1. Introduction

Internet advertising has witnessed growth of 15% in 2012, reaching $36.6 billion in the United States [11]. This field is markedly different from traditional media used by advertisers such as radio, television and newspaper. Information such as a user's profile, data input and past Internet activity allow marketers to display their advertisements to targeted audiences, resulting in an efficient use of their advertising budget and an improved experience for users.

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