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Is Oprah Contagious? The Depth of Diffusion of Demand Shocks in a Product Market

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Abstract

Recent studies have documented that the contagion of information and behaviors in social networks is generally quite limited. We examine whether this pattern characterizes exogenous demand shocks diffusing in a product network. To this end, we analyze a unique series of demand shocks induced by mass-media book reviews on the Oprah Winfrey television show and in the *New York Times*. Our identification strategy is based on a difference-in-differences model estimated using two different groups as control, based on propensity-score-based matching and network proximity to a reviewed book, respectively. Our results show that the diffusion of exogenous demand shocks in the Amazon.com product network is relatively shallow, typically about three edges “deep” into the network, although the economic impact of this diffusion can often be significant. We link our results to recent findings in the context of diffusion in social networks and discuss managerial implications.

Keywords: Networks and communities, diffusion, economic, empirical, need