Market Segmentation through Information

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Abstract :
An information designer has precise information about consumers' preferences over products sold by oligopolists. The designer chooses what information to reveal to competing, differentiated firms who, then, compete on price. We ask what market outcomes the designer can achieve. The information designer is a metaphor for an internet platform who collects data about users and sells it to firms who can, in turn, target discounts and promotions towards different consumers. Our analysis provides new benchmarks demonstrating the power that users' data can endow internet platforms with. These benchmarks speak directly to current regulatory debates.