Information Quantity and Intermediation Targetability in Two-Sided Markets

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Abstract

This paper investigates a B-to-C platform's sophisticated intermediation strategy. The paper develops a monopoly model in which the platform may randomize and/or target its intermediation service. Randomization allows the platform to control the number of affiliated third-party firms that actually appear to each consumer and mitigates the consumer's disutility by viewing firm information *per se*. Targeting raises the possibility of a firm-consumer match with a certain amount of the consumer's information, enhancing both parties' expected benefits but causing the consumer's disutility by having his/her information utilized. I obtain three equilibrium configurations that vary in the number of firms introduced to each consumer by and the amount of consumer information gathered by the platform, and find that the platform in equilibrium attracts as many firms as possible if it enables targeting. The paper also claims, if the platform implements targeting, that the equilibrium values of social welfare and the total consumer utility are ambiguous and qualitatively different in the impacts of a policy with regard to consumer privacy.