



Contracting in a market with differential information

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Abstract Consider an oligopolistic industry where two firms have access to the same technology and compete in prices, but one firm has access to better information about the customers in the market. We assume that better information allows the better informed firm to attract specific customers. The better informed firm obtains a first customer contact advantage, whereas the uninformed firm can only offer a menu of prices without being able to pre-identify the types of customers. We show that better information does not lead to higher profit.

Keywords price competition, personalised payment, differential information.

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