

Data Brokers Competition, Synergic Datasets, and Endogenous Information Value

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Data Brokers (DBs) aggregate enormous amounts of data and sell them to downstream firms for customer profiling. Synergies between datasets allow firms that buy from multiple DBs to improve their profiling accuracy. We study how competition between DBs, the accuracy of their data and synergies between each other's datasets affect their selling strategies in terms of quantity and price of data sold. We investigate the effects of the data sale on the downstream market, and particularly on firms' entry, prices, profits, and incentives to purchase from multiple DBs. We find that DBs strategically reduce the quantity of data sold to downstream firms to endogenously increase the value of the combined dataset, thus inducing firms to purchase from all DBs. This can occur even if synergies are weak, i.e., the accuracy of the combined dataset is lower than the sum of the accuracy of the individual datasets. By doing so, DBs mitigate competition between themselves, leading to lower entry and higher prices in the downstream market.