

## Free daily newspapers: too strong incentives to print?

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**Abstract** A free daily newspaper distributes news to readers and sells ad-space to advertisers, having private information about its audience. For a given number of distributed copies, depending on the type of audience (favorable or unfavorable), the newspaper may either have a large readership or a small readership. A large readership provides a greater return to advertisers, because ads are visualized by more people. A favorable audience has also the advantage of requiring a lower distribution cost (for a given number of distributed copies), because readers are willing to exert more effort to obtain a copy of the free newspaper and are less likely to reject a copy that is handed to them. We find that when the audience is unfavorable, the number of distributed copies and the price of ad-space coincide with those of the perfect information scenario. In contrast, if the audience is favorable, the newspaper prints extra copies to send a credible signal to the advertisers that the audience is favorable. Overprinting is not necessarily welfare-detrimental since readers benefit from the existence of additional copies.

**Keywords** Asymmetric information · Two-sided markets · Free press

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