Association for Information Systems
AIS Electronic Library (AISeL)

AMCIS 2005 Proceedings

Americas Conference on Information Systems (AMCIS)

2005

Essays on Economics of Internet Personalization

Sunil Wattal
Carnegie Mellon University, swattal@andrew.cmu.edu

Essays on Economics of Internet Personalization

Sunil Wattal
Carnegie Mellon University
swattal@andrew.cmu.edu

ABSTRACT

The first essay of this doctoral dissertation empirically measures the business value of personalization using data consisting of 600,000 email advertisements with varying degrees of personalization sent to 35,000 customers over a nine month period. While we confirm that personalization based on customers past interests generates a positive response, we also report evidence that customers are concerned about privacy and respond negatively when the firm sends them advertisements with personalized greetings. We also use a finite mixture model to account for consumer specific heterogeneity in our data and identify segments of consumers with different response to personalization.

The second essay uses a game-theoretic model to analyze the economics of personalization and information sharing in a duopoly where firms are asymmetric in the amount of information that they possess. We show that sharing consumer information leads to an increase in the firm profits but a decrease in consumer surplus. We also show that information sharing is possible even if each consumer controls her information and decides whether the firm should share it or not with other firms. Under different conditions, information ownership by consumers poses a *credible threat* and deters firms from sharing information or a *non-credible threat*, when consumers allow their information to be shared even if they are worse off after information sharing. Finally, the presence of privacy-conscious consumers leads to a redistribution of surplus from firms to consumers but can lead to a decrease in social welfare.