**Privacy Protection and Consumer Retention**

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**Abstract:**

We study the incentives of a website to sell its customers' personal information.

Selling information can result in good, bad or neutral experiences for consumers who learn about their vulnerability to bad matches through experience.

The cost to the website of selling information is the risk that a bad experience makes consumers end their relationship with the website.

The measures adopted by the website to mitigate that cost are neither contractible nor discernible by consumers.

Nevertheless, in equilibrium, the website has incentives to be cautious about selling information or spend resources to screen good matches.

We characterize the equilibrium privacy policy of the website and its welfare properties and discuss the difficulty of welfare-improving regulations.