Comments on "The Impact of Access to Consumer Data on the Competitive Effects of Horizontal Merger and Exclusive Dealing," by J-H Kim, L. Wagman and A. Wickelgren

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This paper

- merger analysis rests upon the comparison between cost efficiencies and market power
- firms increasingly have access to consumer data, engaging in unparalleled levels of price discrimination
- market for consumer data constitutes a new "upstream market"
- competition policy has now to address:
  1. mergers of downstream firms
  2. mergers of data brokers
  3. vertical agreements between data-brokers and retailers (e.g., exclusive dealing)
  4. vertical integration (data-broker and retailer)
- this paper: unifying treatment to these issues

Main research questions

- how access to data affects merger assessment across different levels of market concentration downstream?
- how does concentration on the data market affects merger assessment downstream?
- how does concentration on the data market affects data provision and prices?

<u>tractable</u> framework rich on <u>policy</u> <u>implications</u>!

Main take-aways

- competitive provision of consumer data magnifies consumer losses from a merger to monopoly (relative to no data)
- concentrated data markets leads to exclusive dealing under broad conditions
- prohibition of exclusive dealing on data increases consumer surplus under broad conditions
- monopolistic data market alleviates consumer losses from a merger to monopoly (relative to competitive data market)

More take-aways

- monopolistic provision of consumer data magnifies consumer losses from a merger to monopoly (relative to no data)
- competitive provision of consumer data alleviates consumer losses from a three-to-two merger (relative to no data)
- monopolistic data market alleviates consumer losses from a three-to-two merger (relative to competitive data market)
- in a triopoly with one vertically integrated firm, a three-to-two merger involving the latter is less detrimental to consumer welfare than a merger between two non-integrated firms

Assessment

- really nice paper!
- extensive treatment of mergers in a data-driven era
- modeling is natural and framework is flexible
- exposition can improve, given the wealth of results
- guiding principles could be more clearly spelled out

Some comments, for what they are worth...

- modeling data:
  1. data perfectly reveals consumer horizontal tastes
  2. this is very special, but more general treatment is elusive
  3. would involve comparing Hotelling outcomes across information structures rankable in the sense of Blackwell
  4. data availability might better reveal the tastes of some consumers rather than others
  5. add discussion acknowledging limitation (Bergemann, Brooks and Morris 2015, Roesler and Szentes 2017, etc)

More comments

- modeling competition:
    1. Hotelling and Salop are natural choices
    2. Spokes mode (Chen and Riordan 2017) might offer a tractable alternative amenable to a more general analysis (N firms)
- exclusive dealing result: connection to auctions with externalities (e.g., Jehiel, Moldovanu and Stacchetti 1996)

To sum up...

- I see this paper as an important first step in understanding the impact of data markets on merger analysis
- but I would be less committal on policy implications (after all, modeling matters...)
- rather, emphasize (and exemplify) the ambiguous effects of data availability on merger assessment
- exploring more carefully one merger example might raise the applied relevance of the analysis
- results on exclusive dealing are robust; perhaps more emphasis on its policy implications