The Impact of Access to Consumer Data on the Competitive Effects of Horizontal Mergers and Exclusive Dealing

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Abstract

The influence of firms' ability to employ individualized pricing on the welfare consequences of horizontal mergers is examined in location models. In a two-to-one merger, the merger reduces consumer surplus more when firms can price discriminate based on individual preferences compared to when they cannot. However, the opposite holds true in a three-to-two merger, in which the reduction in consumer surplus is substantially lower with individualized pricing than with uniform pricing. Further, the merger requires an even lesser marginal cost reduction to justify when an upstream data provider can make exclusive offers for its data to downstream firms. We also show that exclusive contracts for consumer data pose significant antitrust concerns independent of merger considerations. Implications for vertical integration and data merger are drawn.

Keywords: Price discrimination, consumer privacy, data broker, horizontal merger

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