Data-Driven Mergers and Personalization

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Abstract

This paper examines the impact of tech mergers that involve a large volume of consumer data. The merger links the markets for data collection and data application that are linked through a consumption synergy. The merger hurts stand-alone competitors by intensifying competition in both markets. But consumers can benefit in the short run thanks to intensified competition and data-enabled personalization. When the consumption synergy is large enough, the merger can result in monopolization of both markets, with further consumer harm when stand-alone competitors exit in the long run. We also discuss policy implications by considering various merger remedies.

Key words: big data, personalization, tech mergers
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