Mergers & Acquisitions

Objectives. A large media and entertainment conglomerate was interested in acquiring several music venues. Due to the size of the deals, the acquisitions were subject to approval by antitrust authorities on the basis of the competitive effects. The objective of the engagement was to determine whether the mergers would past muster with the U.S. Department of Justice (DOJ).

Challenges & Methodologies. An analysis of the likely actions taken by the company once it owned the venues, and its post-merger structure and effects on competition, was undertaken. This included a comprehensive review of incentives inherent in multi-facility ownership.

The company’s business model was such that they made more money on sponsorships which required high attendance at events, and therefore they often did not raise ticket prices to ensure high attendance levels. Further, analyses of market concentration showed that markets where the acquirer already had higher concentrations also resulted in lower ticket prices, all else equal. Variable cost savings would also occur because of economies of scale and scope in event management and booking of events, potentially allowing the company to further reduce event prices. Given the impact to ticket pricing from both of these factors, the data from thousands of concerts and events was analyzed to determine competitive effects and whether the company’s pricing tactics would impact consumers should they acquire the additional venues.

Outcomes. Although the company’s post-acquisition size incited anti-trust concern, our findings showed that the mergers were in fact pro-competitive, the results from which were used as evidence in the investigation by the DOJ. Based on these findings, the DOJ allowed the mergers.