The Impact of Retail Mergers on Food Prices: Evidence from France

Date & Time: November 22 at 9:00 am
Location: AGLS 301
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Abstract: Using consumer panel data, we analyze the impact of a merger in the retail sector on food prices in France. In order to capture the local dimension of retail competition, we define local markets as catchment areas around each store. We develop a difference-in-differences analysis to compare price changes in local markets where the merger did modify the ownership structure (treated group) to price changes in local markets where the merger did not affect the ownership structure (control group). We find that the merger significantly raised the competitors' prices and to a larger extent when local concentration increased or when the number of retail chain names dropped after the merger. In contrast we find that if prices of the merging firms have also increased, there is no evidence of local market structure effects. These results are consistent with merging firms competing at the national level with rivals which on average compete at the local level.