

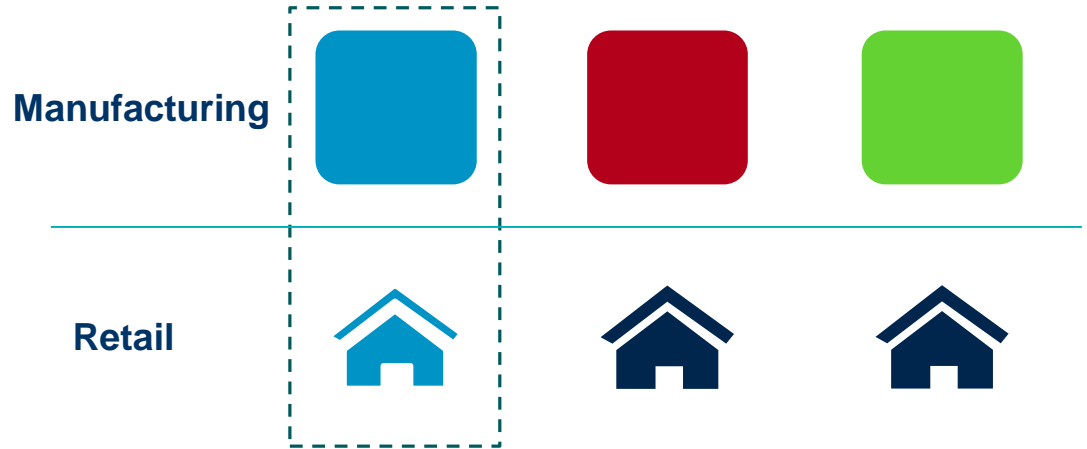
# VERTICAL MERGERS: MALIGNANT OR JUST MISUNDERSTOOD?

JULY 2019



# Why vertically integrate?

- Secure a key input
- Reduce cost (internalise upstream margin)
- Quality control / innovation
- Destroy the competition
- Downstream 'pull through' of upstream output



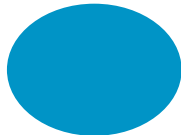
# Potential harm: exclusionary

Raw materials

Main supplier of key input

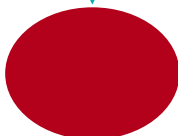
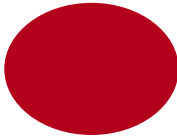
   
\$X-5%

Manufacturing

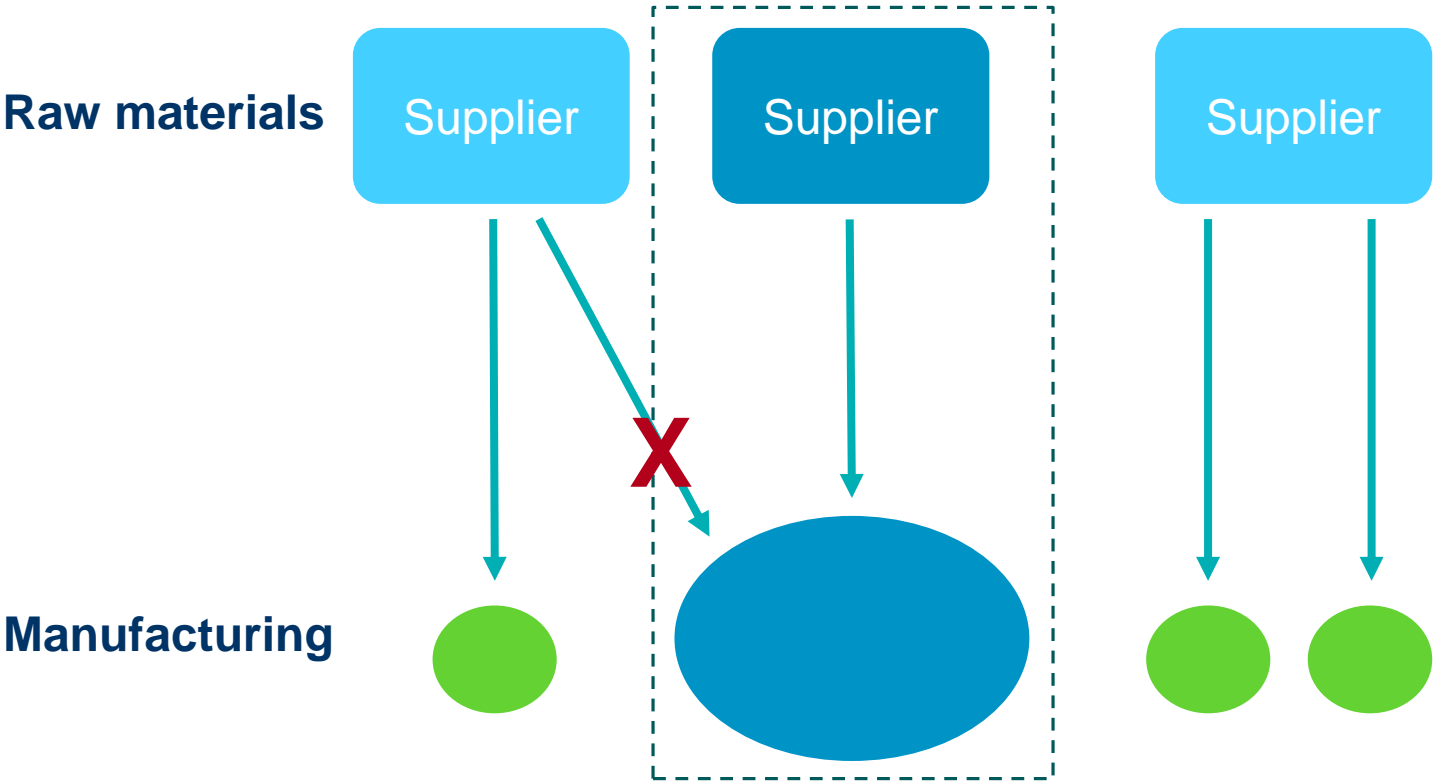


OUT OF STOCK

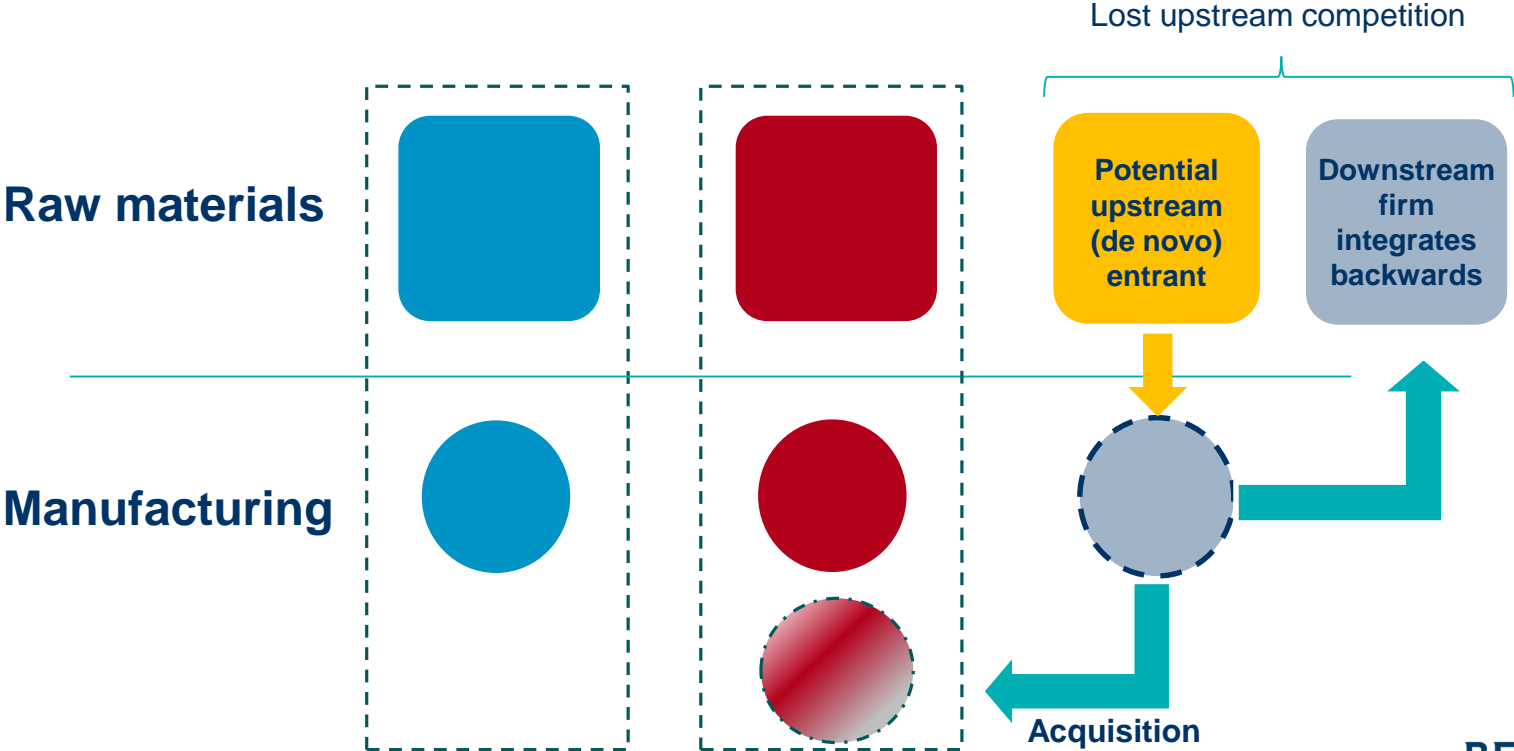
\$X+10%



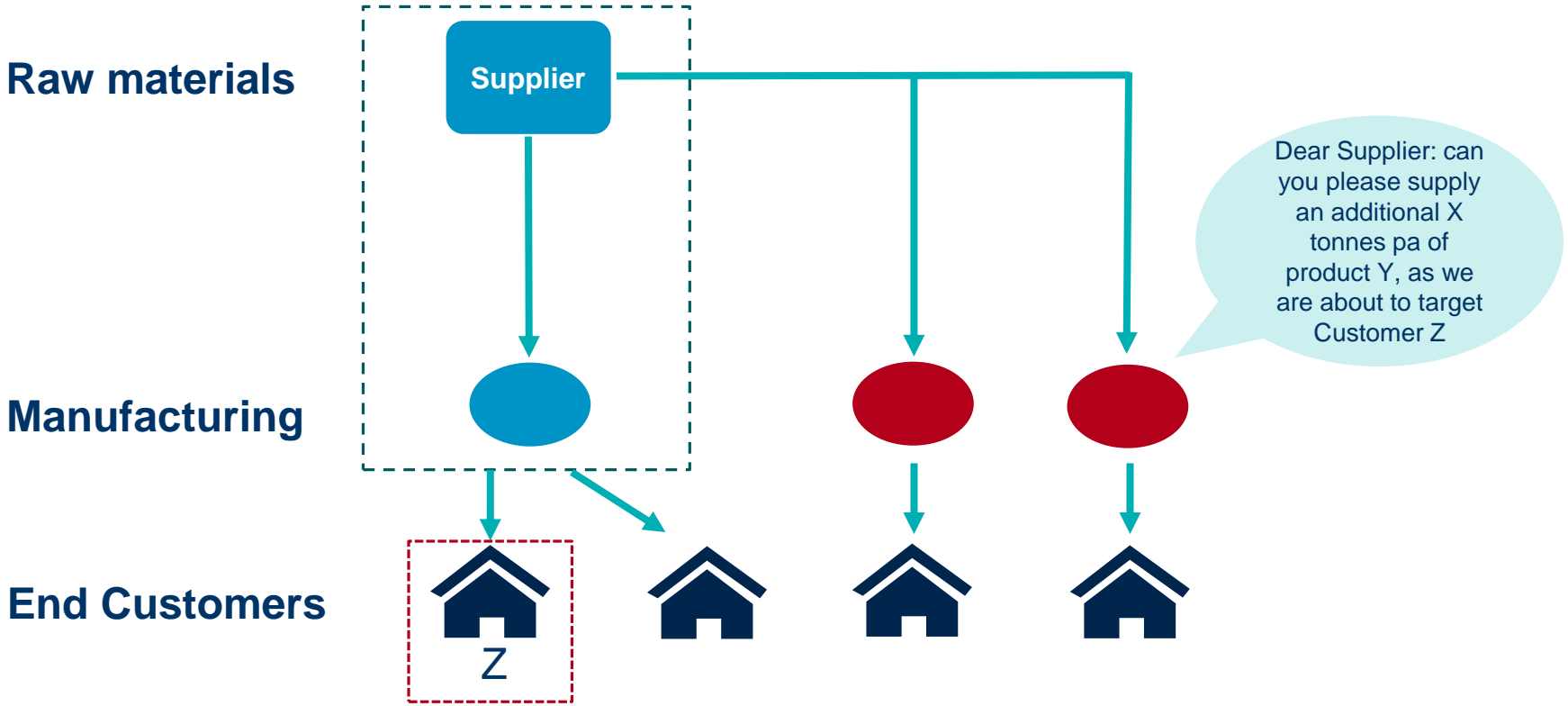
# Potential harm: exclusionary



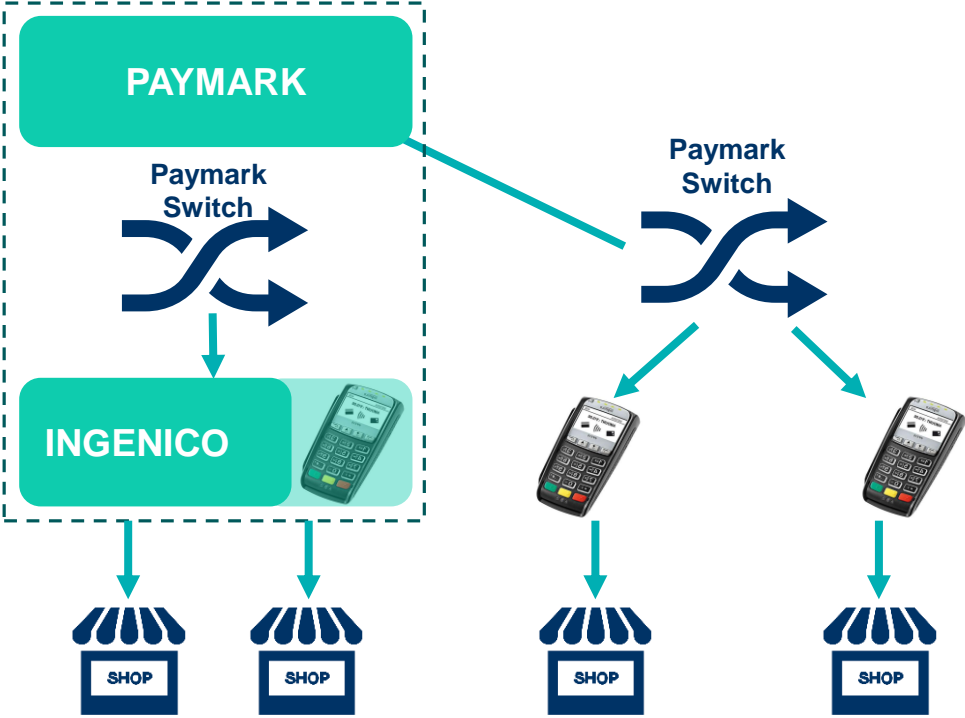
# Potential harm: unilateral



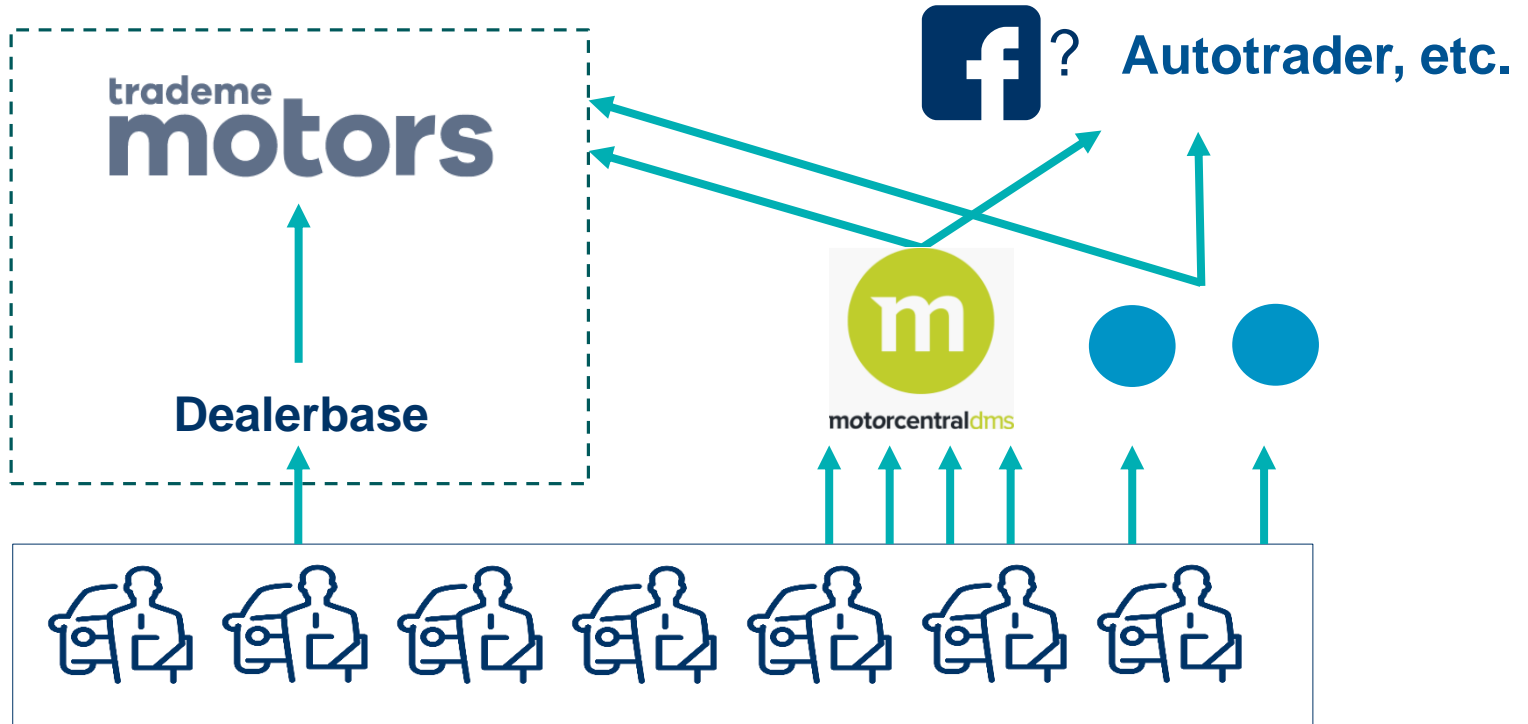
# Potential harm: information flows



# Paymark / Ingenico

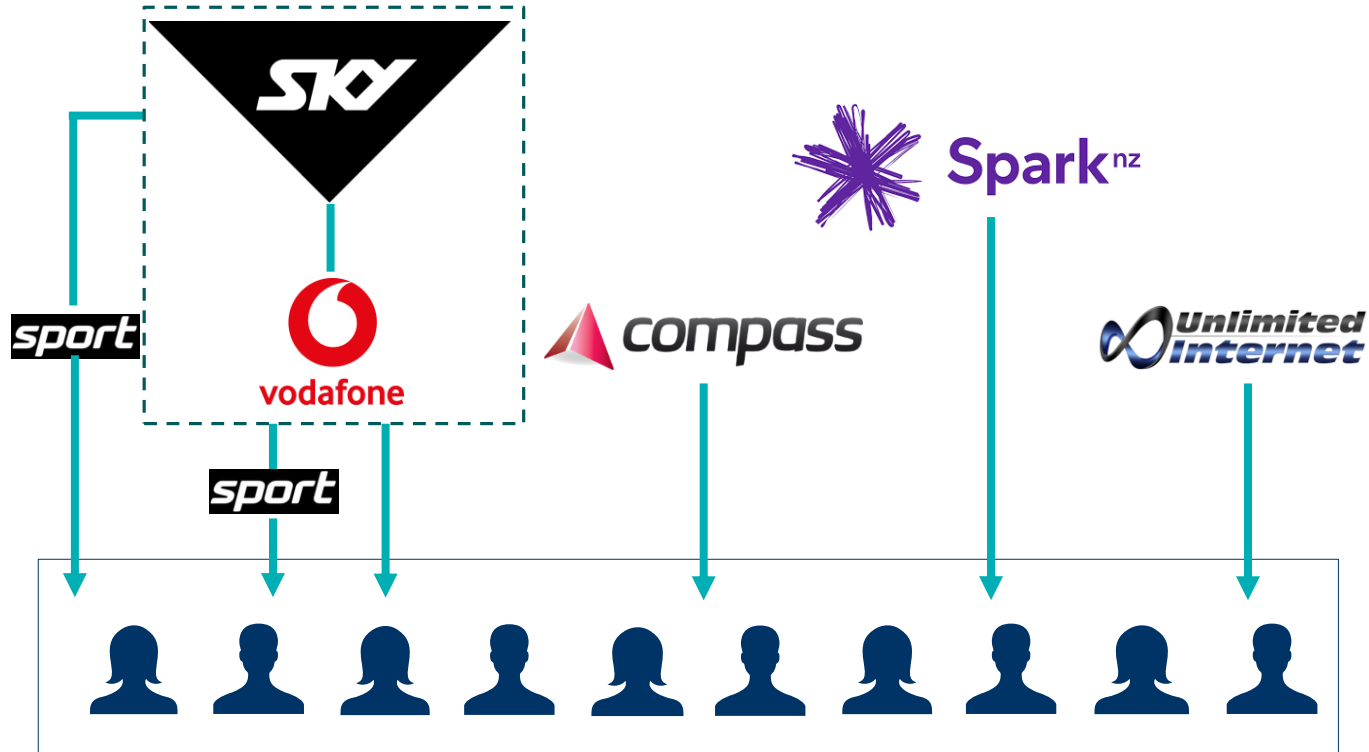


# Trade Me / Motorcentral

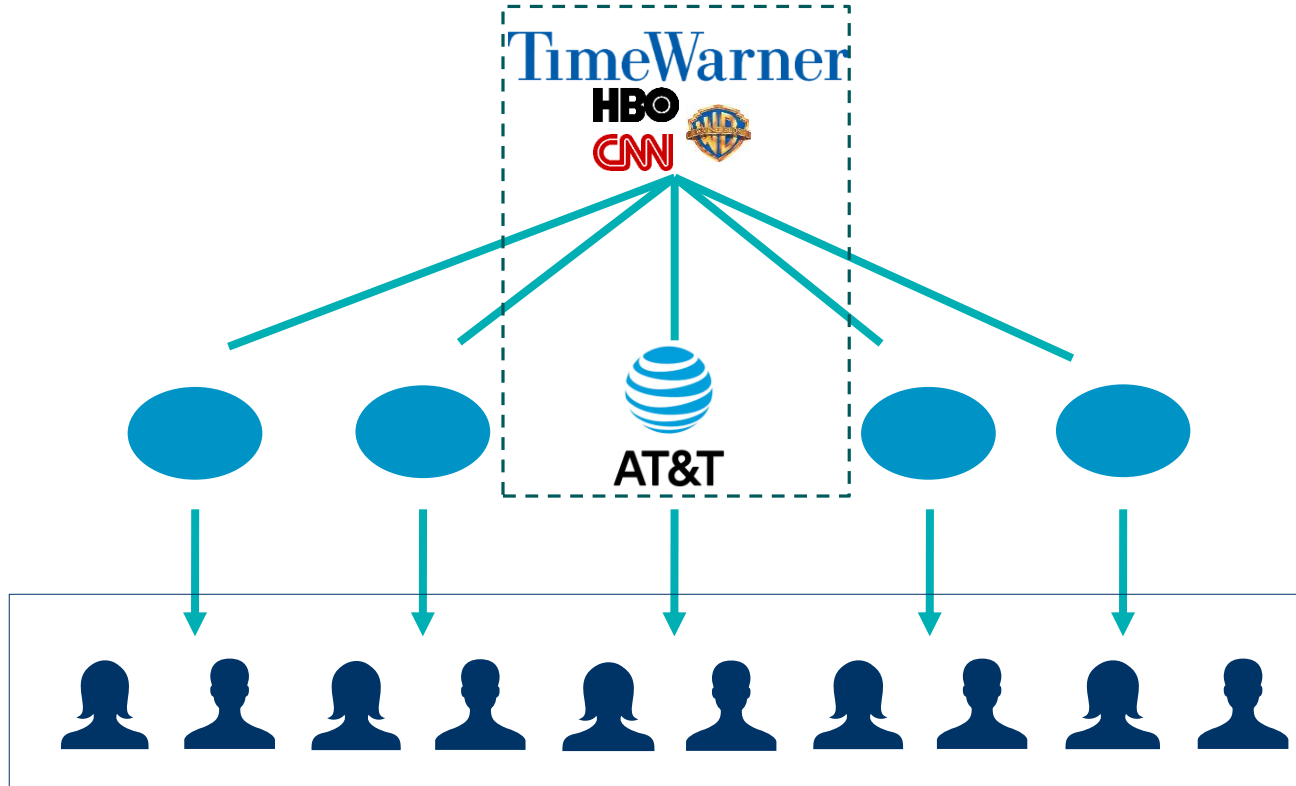




# Sky / Vodafone



# AT&T / Time Warner



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# Observations



**Times change...**



**No behavioural remedies in NZ**



**NZ Clearance standard**