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The impact of network effects and acquisition experience on platform performance

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Lukas Starzetz BSc

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Abstract

In den letzten Jahren hat das Feld der zweiseitigen oder mehrseitigen Märkte, auch bekannt als Plattformunternehmen oder mehrseitige Plattformen, zunehmende wissenschaftliche und unternehmerische Aufmerksamkeit auf sich gezogen. Plattformen zeichnen sich durch Netzwerkeffekte, datengesteuerte Verbundvorteile und mehrere Nutzergruppen aus, deren Interaktionen durch die Plattform ermöglicht werden. Die Dominanz des Plattform-Geschäftsmodells zeigt sich am deutlichsten im Kontext von Wettbewerb zwischen Unternehmen. Gerade an der Schnittstelle von Plattform-Geschäftsmodell und Wettbewerb, dem Bereich der Unternehmensfusionen und -übernahmen (M&A), liegt ein Schwerpunkt, der in dieser Arbeit näher untersucht werden soll. In dem Bestreben, Einblicke in die zugrundeliegenden Mechanismen der Wertschöpfung bzw. -vernichtung im Kontext von Plattform-M&A zu gewinnen, werden in dieser Arbeit sowohl qualitative als auch quantitative Methoden eingesetzt, um zu untersuchen, welchen Einfluss zusätzliche Netzwerkeffekte und Akquisitionserfahrungen auf die Performance von Plattformen haben. Die Ergebnisse offenbaren uneinheitlich Resultate und unterstreichen die Komplexität von Plattform-M&A Dynamiken. Trotz der nicht eindeutigen Ergebnisse unterstreicht die Arbeit den Bedarf an präzisierten Methoden und Rahmenwerken zur effektiven Bewertung der Performance von Plattform M&A.

In recent years, the field of two-sided or multisided markets, also known as platform businesses or multisided platforms, has attracted increasing scholarly and managerial attention. Platforms are characterised by network effects, data-driven economies of scope and multiple user groups, whose interactions are facilitated by the platform. The dominance of the platform business model is most evident in the context of competition. Particularly at the intersection of the platform business model and competition, where the field of merger and acquisition (M&A) is situated, there lies a focal point worthy of further investigation in this thesis. In an effort to gain insights into the underlying mechanisms driving value creation or destruction in the context of platform M&A this thesis employs both qualitative and quantitative methods to explore what impact additional network effects and acquisition experience have on platform performance. The findings reveal mixed outcomes, underscoring the complexity of platform M&A dynamics. Despite inconclusive results, the thesis highlights the need for refined methodologies and frameworks to assess platform M&A performance effectively.

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List of Abbreviations

CEO	Chief executive officer
CFO	Chief financial officer
DMA	Digital Markets Act
DSA	Digital Services Act
EU	European Union
GICS	Global Industry Classification Standard
ISIC	International Standard Industrial Classification
KBV	Knowledge-based view
M&A	Mergers & acquisitions
NACE	Statistical classification of economic activities in the European Community
NAICS	North American Industrial Classification System
PR	Public relations
RBV	Resource-based view
ROCE	Return on capital employed
SaaS	Software as a service
SIC	Standard Industrial Classification
UKSIC	United Kingdom Standard Industrial Classification of Economic Activities

1 Introduction

The literature on platform business models is a relatively new field and lacks a unified terminology for describing the phenomenon. Consequently, accessing and synthesizing relevant research becomes difficult, given its dispersed nature across diverse economic literature. The field of two-sided or multi-sided markets, also known as platform businesses or "multisided platforms" (Hagiu, 2014; Gawer, 2014), has been of high relevance in recent economic debate as huge global players such as Apple, Microsoft (e.g. Windows), Alphabet (e.g. Google), Amazon, Tencent (e.g. WeChat) or Meta Platforms (e.g. Facebook, WhatsApp, Instagram) make use of platform business models to dominate their respective industries worldwide. In fact, many of the world's largest companies in the world employ a platform business model with the companies listed above all ranking among the top 15 companies in the world. (Statista, 2023*a*) It is also the business model used by at least seven of the world's 15 most valuable start-ups. (CB Insights, 2023) Examples of platform businesses are "as diverse as bar-codes, container shipping, credit cards, DVDs, health maintenance organizations, instant messaging, online dating services, real estate brokerages, shopping malls, stock exchanges, travel reservation systems, video games, ... [or] Web search services" (Eisenmann et al., 2011, p. 1270).

This thesis builds upon the intricate ecosystem of platform business models to explore the phenomenon of mergers and acquisitions (M&A), with a particular focus on platform M&A. Despite the growing prominence of M&A literature in recent years, possibly due to the recent merger wave, there remains a lack of consensus regarding the design of performance assessment frameworks.

The subsequent section will examine the theoretical frameworks that underpin platform M&A.

2 Theory

2.1 The business model

First and foremost, it is the business model used by the company that is referred to when defining the characteristics of platforms or platform businesses. There is still much debate in the literature about what constitutes a business model. Täuscher and Laudien (2018) and Zott et al. (2011) emphasise the need to distinguish the concept of the business model from other analysis elements such as strategy. Teece (2010, p. 191) for example defines the business model as "the design or architecture of the value creation, delivery and capture mechanisms employed". Others, such as Christensen et al. (2011, p. 4), recognise "four interdependent elements that create and deliver value" - the customer value proposition, the profit formula, the resources and processes. Another angle offers the activity system perspective, which defines the business model as a "system of interconnected and interdependent activities that determines the way the company 'does business' with its customers, partners and vendors" (Amit and Zott, 2012, p. 37). While some scholars have tried their luck at defining the business model, Täuscher and Abdelkafi (2017) has attempted to categorise them, showing that the literature has not yet converged on a common understanding of the business model and that more work needs to be done. The view taken in this paper is the one presented by Teece (2010) with the three dimensions of value creation, value delivery and value capture, as these also seem to be the most common business model attributes in the literature. (Bivona and Cosenz, 2021; Täuscher and Abdelkafi, 2017) The following section aims to define the platform business model and its distinct features along those three dimensions.

2.1.1 The platform business model

Platform businesses are characterised by two or more participating groups, which can be categorised as producers - creators of the platform's offerings - and consumers - essentially buyers or users of the offerings. (Van Alstyne et al., 2016; Hagiu, 2014) The platform itself has an owner who controls the intellectual property of the platform and who can participate in what way, and providers who offer interfaces to the platform. (Van Alstyne et al., 2016) Figure 1 depicts the players and their roles in a platform ecosystem. The interaction between the users of the platform is facilitated by a common platform and it is in these interactions where

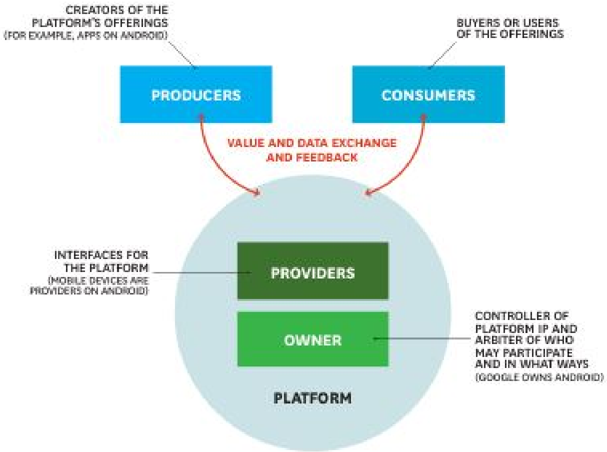

Figure 1: The players in a platform ecosystem (Van Alstyne et al., 2016, p. 58)

value and data gets exchanged. (Eisenmann et al., 2011; Evans and Schmalensee, 2003; Rochet and Tirole, 2003; Van Alstyne et al., 2016) Gautier and Lamesch (2021) unravel the producer side even more by identifying five distinct user groups of the platform. In addition to the aforementioned consumers, they identify advertisers, businesses, merchants, and content editors as part of the platforms user groups. (Gautier and Lamesch, 2021) Hence, advertisers utilise the platform to deploy online advertising with the aim of reaching prospective clients, businesses enhance their own productive or creative processes by using the products and services offered by the platform, merchants use the platform as an online distribution channel and content editors generate digital content and subsequently render it accessible to users utilising the platform. (Gautier and Lamesch, 2021)

A fundamental concept in the literature on platform economics and today's economy is that of network externalities or network effects. (Afuah, 2013; Evans and Schmalensee, 2016; Gawer, 2014; Rochet and Tirole, 2003; Van Alstyne et al., 2016) First conceived in 1974 by Jeffrey Rohlfs in the context of the landline telephone service the term got more and more traction towards the turn of the millennium. (Afuah, 2013; Evans and Schmalensee, 2016) Network effects describe the participants value increase as the number of participants on each side increases. (Gandal, 1994, 1995; He et al., 2023; Van Alstyne et al., 2016) Scholars have largely agreed on distinguishing these effects into direct, sometimes called same-side, and indirect, sometimes called cross-side, network effects. (Boudreau et al., 2022; Eisenmann et al., 2006; Evans and Schmalensee, 2016; Fuentelsaz et al., 2015; Gawer, 2014; Shapiro, 1999) For both concepts, Evans and Schmalensee (2016, p.208-209) provide clear definitions with examples:

> "Direct network effect: The impact of the addition of another participant to a network on other participants in the same group. A positive network effect occurs when an additional participant makes other participants of the same sort better off because they can reach and interact with more participants. For example, suppose people both make and receive phone calls to roughly the same degree. An additional person increases the size of the network and increases the number of people all other members can connect with. A negative direct network effect occurs when additional participants make other participants in the same group worse off, perhaps because of congestion or competition; for example, when an additional man goes to a singles bar, it increases competition for other men and may also make it too crowded to easily mingle."

> "Indirect network effect: The impact of the addition of one type of participant to a network on another type of participant. A positive indirect network effect arises when an additional participant of one type increases the value that participants of another type get. For example, an additional restaurant on OpenTable[, an online restaurant-reservation service company,] increases the value to diners, who now have an additional place to consider and at which to make reservations. A negative indirect network effect arises when an additional participant of

one type decreases the value to participants of the other type. For example, more radio ads reduce the value that radio listeners get."

Afuah (2013) adds to the more neoclassical, size-centred, definition of network effects the elements of structure and conduct, which should not be ignored if one is to paint a complete picture of the value creation and/or capture capabilities of network effects. In fact, most of the existing literature on platform businesses addresses the issues of pricing, governance and/or competition - just not in the context of network effects. When considering the governance of platforms, decision-makers are faced with the choice of how open to make governance. This means allowing participants "other than the owner to shape the rules of trade and reward sharing on the platform" (Van Alstyne et al., 2016, p. 60). While a fairly closed governance is usually the choice when launching a platform, it is usually sensible to open up the set of rules and rewards as new types of interactions and sources of value are added. (Van Alstyne et al., 2016) Unfettered access however can destroy value by creating ambient noise that enables overload, low-quality content and/or misconduct hampering interaction. (Van Alstyne et al., 2016) An example where governance choice can be observed rather vividly is in the case of Twitter / X before and after its acquisition by Elon Musk. Before merging with Elon Musks X Corp. the platform had a "clerical class enforcing rules and norms somewhat opaquely, based on the theology of current progressivism" (Douthat, 2022). Following the acquisition, Twitter / X seemed to adopt a monarchical governance style with Mr. Musk at the core. (Douthat, 2022) In a fast and uncompromising way Musk reversed the platforms earlier governance choices and disregarded lived experience of the past decade to open the governance system up while also lifting permanent bans on certain self-selected individuals. (Douthat, 2022; Conger and Hirsch, 2022) It will be intriguing to observe how Elon Musk's radical and speedy transition from a closed to an open, freewheeling, governance will impact the platform in the upcoming months and years. (Douthat, 2022; Conger and Hirsch, 2022)

Another aspect of governance in platform businesses is their pricing policy. While pricing strategy has traditionally revolved around a trade-off between volume and margin, with higher prices reducing volume and increasing margin and lower prices doing the opposite, platforms need to walk a fine line when choosing a price for each user group of the platform. (Evans and Schmalensee, 2016) Platform providers need to consider the impact of price choice on the other side's willingness to pay and growth. (Eisenmann et al., 2006) Their users demands depend on each other. This interdependence arises from indirect network effects. (Evans and Schmalensee, 2016) Therefore many of the economic formulas derived over the last centuries on traditional firms don't work in an platform context and are wrong because they don't include interdependent demand. (Evans and Schmalensee, 2016) In an interdependent pricing model, one side's profit-maximising price may be zero or even less than zero, meaning that the firm pays the participant for using the product. (Evans and Schmalensee, 2016) That side is called the subsidy or loss-leader side, while the other side is called the money or profit-making side. (Eisenmann et al., 2006; Evans and Schmalensee, 2016; Hagiu, 2014; Rochet and Tirole, 2003) Evans and Schmalensee (2016) stress that it is not always profitable for platforms to have a subsidy or loss-leader side but it can be. Caillaud and Jullien (2003) calls these divide-and-conquer strategies.

In the context of a platform business, competition is also different, more dynamic and more complicated. (Van Alstyne et al., 2016) Contrary to the vision of Porter (1980) to create value by a "vertical chain extending from suppliers of resources to firms, through firms, to buyers of products and services from firms" Brandenburger and Stuart Jr (1996, p. 5), which represents a linear value chain, platform businesses and their networks invert the traditional value creation activities. (Van Alstyne et al., 2016) And the idea of optimising controlled and/or owned assets along the value chain of a traditional business doesn't work anymore.(Van Alstyne et al., 2016) Once firm-internal activities such as marketing, information technology, human resources, operations & logistics and even finance are opened up and outsourced to outside parties harnessing the power of networks for instance through crowdsourcing or other value co-creation concepts like crowdfunding, open innovation and peer production. (de Oliveira and Cortimiglia, 2017; Van Alstyne et al., 2016)

This makes the competitive advantage of platform businesses over their non-platform competitors, their network and the resources that their network owns and contributes, difficult to imitate. (Van Alstyne et al., 2016) In the context of competition one often cited model is Michael Porters five competitive forces model. The forces are the threat of new entrants, the threat of substitution, the bargaining power of buyers, the bargaining power of suppliers, and rivalry among current competitors. (Porter, 1980) See Figure 2 for a depiction. While the model still generally applies, it does not take into account network effects and their value-

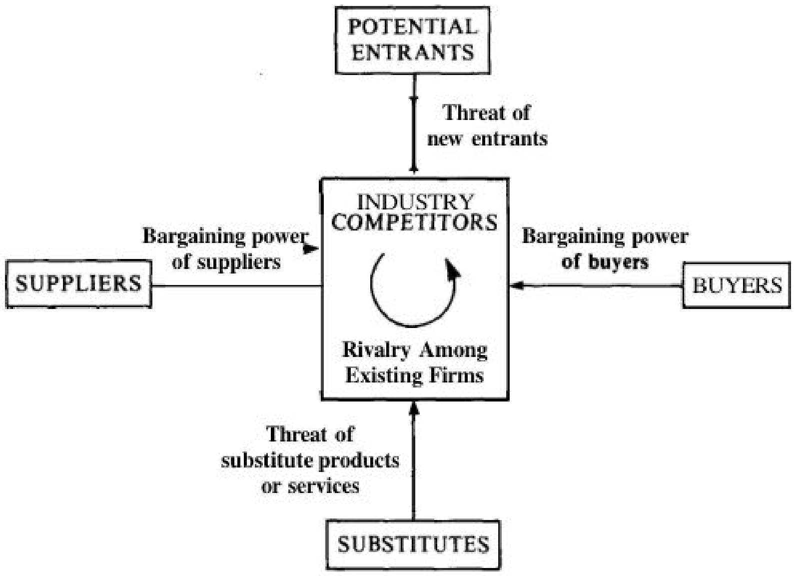

Figure 2: Forces Driving Industry Competition (Porter, 1980, p. 4)

creating & value-adding properties, especially in a platform business context. (Van Alstyne et al., 2016) The power of suppliers and customers can therefore be seen as an asset in a platform context. (Van Alstyne et al., 2016) Van Alstyne et al. (2016) distinguish three patterns competitive threats follow in platform economies. First, leveraging their superior networks established platform businesses enter new industries. (Van Alstyne et al., 2016) This threat pattern corresponds to Porters threat of new entrants. Second, while targeting an overlapping customer base, a platform competitor may offer a differentiated product leveraging network effects. (Van Alstyne et al., 2016) This threat pattern corresponds to Porters threat of substitution. Third, harnessing data collection, and therefore value creation and value capture, platforms compete for the same type of data. (Van Alstyne et al., 2016) Even in different markets, the collection of similar data may be a reason to compete for majority control of that data or even a broader set of data. (Van Alstyne et al., 2016) This naturally includes the associated user relationships. This threat pattern corresponds partially to Porters rivalry among existing firms since, as already stated, the rivalry can extend to different industries which would not be included in the original model of Porter. His model includes the threat of rivalry among existing firms only among industry competitors.

An early term in the literature on platform competition, such as first-mover advantage, where a pioneering firm has the "ability to be better off than its competitors as a result of being first to market in a new product category" (Suarez and Lanzolla, 2005, p. 22), was hastily thought to confer competitive advantages, as network effects were thought to result in a single dominant market-controlling platform, a winner-take-all-market, and getting there meant getting there first and keeping the lead. (Evans and Schmalensee, 2016; Lieberman and Montgomery, 1988) And although many scholars assumed that winner-take-all markets would emerge, there is no clear evidence to support this claim according to the mixed accounts found in the literature. (Evans and Schmalensee, 2003; Zhu and Iansiti, 2012) Reasons vary and depend on the background factors of the company and industry, the capabilities and resources of the company, and the pace of technology and market evolution. (Suarez and Lanzolla, 2005) In addition, first-mover advantages depend on sustainability in order to become a competitive advantage. (Lieberman and Montgomery, 1988; Zhu and Iansiti, 2012) Some of these early views on competition were based on the idea of platform participants single-homing, which meant that they standardise on and use only a single platform, and a customer lock-in resulting from high switching costs. (Evans and Schmalensee, 2016) Caillaud and Jullien (2003), for instance, have disproved this view by discussing an equilibrium scenario in which all customers single-home, and one platform attracts all customers but does not making any profit. (Lam, 2017) The potential for platform differentiation - where platforms differentiate themselves as in other businesses - and multi-homing, where platform users use more than one similar platform, has not been considered (Evans and Schmalensee, 2016) In this context, one method for platform businesses to manage emerging competition is by establishing a customer lock-in. The term refers to methods that a platform can use to retain existing users and prevent them from switching to a competitor's platform. (Tiwana, 2014). One way this can occur is through the implementation of proprietary standards, such as what Apple has done since 2012 with its Lightning connector, or other methods that raise the switching costs faced by customers. (Frakes, Dan, 2012) An additional approach to customer lock-in involves adding indispensable value that cannot be replicated outside the platform ecosystem. (Tiwana, 2014) As may already be apparent, network effects create such indispensable value in platform businesses. There is a concern that these lock-ins may create barriers to entry and subsequently raise monopoly concerns. These concerns and the increasing dominance of platforms in the global economy draw more and more regulatory scrutiny from supranational entities like the European Union. (Parker et al., 2021)

Another closely related concept, particularly evident in platform economies, is (excess) inertia, which arises when network effects combine the reluctance of different customers to switch platforms due to their individual switching costs. (Farrell and Klemperer, 2007; Farrell and Saloner, 1986; Fuentelsaz et al., 2015; Katz and Shapiro, 1986) A prominent example of inertia determining the standard chosen by the industry, even when that standard isn't the optimal choice, is the QWERTY keyboard (David, 1985; Farrell and Klemperer, 2007; Fuentelsaz et al., 2015) Superior alternatives include for instance the Dvorak Simplified Keyboard. (David, 1985; Farrell and Klemperer, 2007) Here switching costs would occur because it is expensive to relearn how to type. There are two types of Network effects that can emerge. Direct network effects may emerge as typists seek the capability to type using others' keyboards or their work keyboards. (Farrell and Klemperer, 2007) Indirect network effects, on the other hand, can originate from typing schools or courses that tend to emphasise the teaching of the prevailing design. (Farrell and Klemperer, 2007) Switching altogether would incur switching costs for already QWERTY-trained typists while gradually switching would deprive QWERTY-trained users, who would stay with the QWERTY keyboard, and new users, who would learn the new technology, of network effects. (Farrell and Klemperer, 2007)

2.2 Mergers & acquisitions

2.2.1 Definition, categorisation, motives and structure

As competition intensifies, some platforms are exploring alternative tactics to establish a distinct advantage over their competitors. In their pursuit of expansion, growth, market dominance, and strategic synergies, platform companies often consider the subject of M&A as a viable strategy for consolidating resources, broadening their market presence, and gaining an upper hand over rivals. This commonly employed method for inorganic growth encompasses two distinct definitions: mergers and acquisitions. (Sherman, 2010) Both result in essentially the same outcome: A combined company operating under one roof, previously under separate ownership, often working towards a strategic or financial objective. (Frankel, 2017; Sherman, 2010) A merger involves the absorption of the assets and liabilities of the selling firm(s) by the buying firm to form a combined entity. (Sherman, 2010) An acquisition, in turn, refers to the takeover of an asset such as a factory, a division, or even a whole company. (Vermeulen and Barkema, 2001; Sherman, 2010) Other strategic growth options include organic growth, such as new product development, geographic expansion, such as greenfield investment, or hiring more salespeople, and external growth, such as appointing overseas distributors, franchising, joint ventures, licensing and strategic alliances. (Sherman, 2010) In line with this logic, M&A are often also a means for companies to enter new markets. As a result, they often cross national borders and are therefore subject to new laws of doing business that can impact how well a business model or strategy once applied works. New angles must be found and implemented to tackle this. Strategies, risks and advantages from the topic of international business then apply to some extent as well here. Moreover, the international nature of cross-border acquisitions also introduces some additional barriers related to the cultural, economic and institutional distance between the two firms, which are not faced in domestic acquisitions. (Bozos et al., 2021)

Traditionally, three categorisations of mergers and acquisitions exist: horizontal M&A involves acquiring another company within the same industry, vertical M&A involves acquiring a company along the supply chain, and diversification M&A involves acquiring a business outside of the focal firm's industry or supply chain. (Angwin, 2007) While the literature on M&A over the past few decades has established the horizontal and vertical types of M&A, the definitions and enumeration of additional types are not consistent. Most scholars define only one further category - the conglomerate M&A. (Cho and La, 2014; Ravenscraft and Scherer, 1987) The definitions of this conglomerate type of M&A are not easy to unify, as the term has been used as an umbrella term for all types of M&A that don't fit the horizontal or vertical description. Generally though the conglomerate merger type has a similar definition to diversification. Conglomerate mergers are therefore defined as mergers between two firms that lack a buyer-seller relationship, technical and distributional ties and do not deal with identical products. (Ravenscraft and Scherer, 1987; Walter and Barney, 1990) Others consider the concentric M&A type to be a separate additional type. (Walter and Barney, 1990) Ravenscraft and Scherer (1987) distinguish conglomerate mergers further into three types: product extension, market extension, and other/pure conglomerate mergers. In product extension mergers, the acquirer and the acquired entities share functional ties in production and/or distribution, yet they lack direct competitive overlap. In market extension mergers, both companies manufacture the same products; however, they operate in distinct markets for selling these products. In pure other/conglomerate mergers, the companies are unrelated in the products they produce and distribute. (Ravenscraft and Scherer, 1987)

The motives for engaging in M&A activities are diverse and can be categorised into strategic motives, aimed at improving competitive advantage, financial motives, aimed at improving and optimising the use of financial resources and agency & managerial motives, which are usually subjective and on an individual level rather than objective. Strategic motives are driven by consolidation, extension and capabilities rationales. (Ravenscraft and Scherer, 1987) Monopoly theory emphasises the opportunities to raise prices as a result of a consolidated market control and the ability to buy inputs more cheaply. (Anand and Lee, 2018; Rabier, 2017; Ravenscraft and Scherer, 1987) Of course weakening and/or reducing competition is also a reasoning here. (Rabier, 2017) Usually, this is achieved through a horizontal merger. In their pursuit for extension of knowledge bases and acquiring complementary assets companies fill the extension & capabilities rationale. (Anand and Lee, 2018; Capron, 2018) Financial motives are driven by financial efficiency through e.g. economies of scale and scope, asset stripping or unbundling or tax efficiency. (Anand and Lee, 2018; Auerbach and Reishus, 2019; Faulkner, 2014; Nguyen et al., 2012; Ravenscraft and Scherer, 1987) At this point, it is useful to make a further distinction, as many scholars consider strategic and financial motives to be value-enhancing, whereas agency and managerial motives are considered to be value-decreasing. (Nguyen et al., 2012) Examining agency and managerial motives can provide a more in-depth understanding of why this is. Managers may have personal ambitions to leverage acquisitions for additional compensation (Lewis and Bozos, 2019), advance the careers of friends or gain attention from the media. These factors may result in managerial hubris, wherein managers overrate their capacity to merge, inspire, and efficiently manage the companies they aim to acquire. (Nguyen et al., 2012; Ravenscraft and Scherer, 1987) Effectively they underestimate the costs that come with formal control of another company. Another reason for these motives are bandwagon effects or herd mentality which occur in M&A largely due to social pressures or external circumstances. Merger waves are an example of this, but will be discussed in more detail later. Whatever motive it may be that drives a companies M&A activity, Calipha et al. (2010) remind investors, managers and researchers alike that it should first and foremost be about creating value through synergy.

To achieve optimal results in these complex situations, it is crucial to have a structured process that managers can revert to. A structured framework can ensure strategic alignment, optimise resources, reduce risks, improve decision-making, aid in timeline management, facilitate stakeholder communication, and promote successful integration. The literature presents a wide range of approaches to structuring the M&A process, as highlighted by Calipha et al. (2010). The degree of division varies, ranging from a simple pre-merger and post-merger structure to a seven-phase partitioning. While there are various approaches, most scholars agree on three phases of M&A: the decision, post-merger integration, and performance measure, which are the main components, sometimes extended to include a separate ownership completion or closing phase between the M&A decision and the post-merger integration phase. (Caiazza and Volpe, 2015; Calipha et al., 2010) Depending on whether there is a separate ownership completion or closing phase, the M&A decision phase includes a multi-stage due diligence process involving the identification and evaluation of viable M&A targets, negotiations involving a takeover bid or merger transaction negotiations, and a closing part. In the second phase of the merger, the merged companies try to eliminate duplicate functions, achieve economies of scale and scope and increase their capabilities, technology and/or intellectual capital while also integrating the acquired/merged company culturally. Integration here includes therefore both organisational and cultural integration. Cultural integration is usually the more challenging of the two especially when looking at cross-border M&A deals. Involved managers should therefore initiate and engage in change management processes to facilitate the process of acculturation. The final phase performance measure aims to determine if the entire undertaking has delivered the promised value. (Caiazza and Volpe, 2015) Performance outcome measures vary depending on what branch of economic literature is cited. Caiazza and Volpe (2015) discuss the creation of distinctive capabilities as long-term indicators of the value-creating activities of merged companies. Consequently, this is expected to result in sustained shareholder wealth generation. This measure aligns with the resource-based view (RBV) of the firm (Barney, 1986, 1991; Penrose, 1959; Rubin, 1973; Wernerfelt, 1984). According to RBV, a company's sustained competitive advantage is based on its internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable, which can be generated or acquired by the firm. (Barney, 1991; Liang, 2013; Zhao and Morgan, 2017)

2.2.2 Challenges & reasons for value loss in M&A

Despite the frequent occurrence and significance of M&A activities across firms of various sizes M&A remain a subject of intense debate and scrutiny due to their mixed results in the literature. While some claim that these undertakings can lead to substantial gains for acquiring firms, there are also conflicting views on their successes and failures. (Hitt et al., 1998; Ravenscraft and Scherer, 1987) Contrary to initial expectations prior studies have suggested that acquiring firms may actually perform worse in the long run. (Anand and Lee, 2018; Cho and Chung, 2022) This highlights the unpredictability and mixed outcomes characterising merger attempts. Therefore, managers involved in M&A should be particularly mindful of the potential challenges to avoid any threats to the success of the undertaking. One pitfall that often accompanies M&A activities is the diminished focus on innovation. Acquiring firms may prioritise financial controls too heavily, creating a risk-averse environment that inadvertently discourages innovation. This pattern can perpetuate as new firms are brought into the fold and may find themselves conforming to a system that stifles their innovative potential. This can result in a cycle of acquiring more firms with innovative new products rather than fostering internal innovation. (Hitt, 2001) Moreover, the potential for managerial hubris poses a substantial risk. This can manifest in inadequate analysis of the target firm or in overestimating the value, leading to substantial premiums paid for the acquired entities. (Hitt, 2001) Such overconfidence can also influence target selection, leading to suboptimal choices and/or poor decision-making.(Anand and Lee, 2018; Haleblian and Finkelstein, 1999). Agency problems can further complicate M&A scenarios and potentially undermine effective decision-making processes. (Anand and Lee, 2018) Integrating two large and complex firms, often with diverse cultures, structures, and operating systems, presents another formidable challenge. (Hitt, 2001). This is particularly true when there are substantial overhead costs required for post-M&A integration. (Anand and Lee, 2018) Shareholders of acquired firms may experience above-average returns from these transactions, while those of the acquiring entities may see minimal gains, if any. (Hitt, 2001) The difference in outcomes can be partly explained by bidding firms overpaying. They use funds that would have been allocated to low- or negative-return projects, so their opportunity cost is lower than their cost of capital. This tendency to overpay may transfer a significant portion, if not all, of the gains to the target firm's shareholders. (Jensen, 1988)

2.2.3 Merger waves

Another phenomenon in M&A that requires explanation is the existence of merger waves. These are historical periods during which there is a significant increase in M&A activity in a particular industry or across several industries. During these periods, there is a surge in the number and size of M&A that take place over a relatively short period of time. Cho and Chung (2022) describe two frameworks from the literature that explain merger waves. The first framework neoclassical economics makes two assumptions: managers aim to maximise shareholder value, and the capital market is efficient. Two main theories have emerged based on these assumptions: the Q theory of mergers and macro-economic, technological, and industrial shocks. The Q theory of mergers - the theoretical background tracing back to Tobin's Q theory of investment - states that the reallocation of assets from poorly managed companies, therefore with a low Tobin's Q ratio, to better-managed firms, therefore with a high Tobin's Q ratio can cause merger waves to occur. This can be deduced because markets with significant differences in Q ratios between firms are likely to experience an increase in M&A activity. (Cho and Chung, 2022) The literature suggests that the theory of macroeconomic, technological, and industrial shocks though is more prominent. Following the arguments of Gort (1969, cited in Cho and Chung 2022), a merger can occur when a bidder's estimated valuation of the target firm's equity is higher than the target firm's own valuation, and the bidder's expected surplus from the acquisition is greater than that from any alternative purchase or investment. Applying that reasoning, economic, technological, or industrial disruptions or shocks may trigger the emergence of merger waves due to the increased frequency of mergers. (DePamphilis, 2016) The second framework, the managerial behavior view, in contrast, rejects the alignment of shareholder and manager interests and the efficient capital market assumptions. (Cho and Chung, 2022) It analyses the influence of managerial behaviour on merger results. (Cho and Chung, 2022) Based on agency cost theory, managers of acquiring firms may initiate mergers to pursue personal benefits, such as increased salaries and job security. (Cho and Chung, 2022) Managers are typically compensated more as their companies expand, and become more difficult to control or replace when they have more resources under their control. In the presence of these incentives, managers may be tempted to make unnecessary acquisitions due to significant free cash flows, which can lead to expanding their companies beyond the optimal size. (Jensen, 1996; Cho and Chung, 2022) Especially around industrial shocks or periods of pronounced growth in financial markets, such agency-motivated acquisitions have the capacity to collectively create merger waves. (Jensen, 1996; Cho and Chung, 2022) The managerial behavior view framework includes a second hypothesis, known as the market timing or misvaluation hypothesis. Essentially, the hypothesis suggests that a company's equity is more likely to be temporarily misvalued during financial booms. (Cho and Chung, 2022) As a result, mergers motivated by stock mispricing collectively form merger waves during times of economic expansion. (Cho and Chung, 2022) This assumes managers use overvalued equity to acquire other firms. (Cho and Chung, 2022; DePamphilis, 2016) However, DePamphilis (2016) notes that merger waves usually correspond to an improving economy. Managers who are confident in their stock's future appreciation are therefore more likely to use debt instead of overvalued equity to finance takeovers therefore because they believe their shares are currently undervalued. (DePamphilis, 2016) Although there is a consensus in most of the literature that neoclassical economics has correctly identified shocks as the cause of merger waves, shocks alone won't propagate merger waves unless they are accompanied by sufficient capital liquidity. (DePamphilis, 2016; Harford, 2005)

For a more holistic understanding, the following section showcases a brief outline of the different waves along the historical trajectory, each with its own unique drivers and consequences, illustrating the historical evolution of M&A and its pivotal role in shaping the corporate landscape, economic structures and regulatory frameworks in different eras. It is should be noted that the following perspective is primarily from the United States, as this is where early M&A spikes with a certain regularity initially occurred before becoming similarly prevalent around the world. And even now is the US market for corporate control still considered one of the, if not the leading market for M&A activities. Merger waves typically spread to other western industrialised countries with a slight delay. However, local events and circumstances also influence the strength and shape of each wave. The first wave began in 1897, following the Industrial Revolution and subsequent monopolisation efforts. Despite early attempts at antitrust legislation, such as the Sherman Antitrust Act, this first wave of horizontal consolidation was observed mainly as an increased concentration in primary metals, transportation and mining. This boom ended with the stock market crash and the ensuing recession of 1903/1904. As a result of the United States' entry into World War I and the post-war economic boom, the second wave of mergers began in 1916. This period saw a notable increase in vertical integration in the economy, largely as a result of antitrust enforcement. The motive behind these vertical integrations was to achieve economies of scale to compete with larger industrial rivals, leading to a movement towards oligopolies rather than monopolies. However, the merger wave was brought to an end by the Wall Street stock market crash of 1929, commonly referred to as the 'Great Crash', and the subsequent world economic crisis. The third wave of M&A occurred between 1963 and 1973, marked by the implementation and strict enforcement of the Celler-Kefauver Act, which sought to limit vertical mergers and acquisitions. This legislative move, combined with unsatisfactory results from horizontal mergers and the desire to decrease exposure to industry-specific risks, led to a move towards diversification theory. Companies diversified their portfolios across various industries, leading to the rise of conglomerates, a new development in M&A evolution. The era concluded amidst the economic recession following the oil crisis and challenges such as stagflation, a combination of stagnant economic growth and high inflation rates. The fourth merger wave emerged in the early 1980s. The US government's tax legislation and deregulation policies led to the liberalisation of monopolies, resulting in what was called 'Merger-Mania'. The period was characterised by hostile takeovers, corporate raiding, and conglomerates striving for synergy. Leveraged Buy-outs using debt became a prevalent strategy during this period. Similar to the preceding waves, this wave also ended with the crash of the Dow Jones 1989, the Japanese recession, and the looming threat of the second Gulf War, signaling a period of economic uncertainty and decline. Although M&A activity decreased globally, the German reunification, a local event in central Europe, resulted in a further increase in transaction figures. The fifth wave, from the early to mid-1990s and into the early 2000s, was characterised by five key drivers. Globalisation and industry consolidation became prominent as companies sought economies of scale, scope and market power to increase their competitiveness in global markets. Continued liberalisation and deregulation fuelled the longest period of economic expansion and stock market boom in US history. Larger companies began to look at M&As as a viable strategic option for growth. In the European single market, and also in the Asian market, firms began to look beyond national borders to engage in cross-border activities and become more relevant as global players through that. The adoption of shareholder value as a strategic management tool and the increasing role of the internet as a basis for new business models also characterised this wave, with transactions involving the innovative use of shares as payment or swapping. Due to its cyclical nature, the fifth wave of mergers came to an end after the bursting of the dotcom bubble at the turn of the millennium. The year 2003 saw the beginning of the sixth merger wave, the largest one yet in terms of both the number of transactions and their volume. It was influenced by several factors that significantly impacted the global business environment. During this era, globalisation and industry consolidation continued to drive the business environment, while western industrialised nations underwent an economic restructuring. Companies pursued three main strategic directions in their M&A activities: divesting non-core activities, seeking economies of scale primarily through international expansion in the remaining core business, and generating innovative growth by leveraging core competencies from the core businesses in other businesses. Meanwhile the importance and influence of private equity investors and shareholder activism rose. During this period, there was a significant increase in highly leveraged buyouts and the issuance of complex securities backed by bundles of debt and loan commitments with different levels of risk. These debt and loan obligations - often appearing as syndicated debt - provided a significant portion of the financing for M&A deals. Lenders had the incentive to increase loan volume, which led to them accepting riskier loans to increase their fee income. After the loans were sold, their monitoring was reduced. These practices, combined with low interest rates, led to acquirers significantly overpaying for targets. The reduced value of assets held by banks has limited the availability of credit, which has affected the ability of private equity funds, hedge funds, and other businesses to secure financing for their transactions and operations. These developments combined with European sovereign debt concerns and escalating oil prices led to a global financial crisis in 2007-2008. This also marked the end of the sixth merger wave as M&A activity declined. (Cho and Chung, 2022; DePamphilis, 2016; Hitt, 2001; Müller-Stewens, 2016) Ilaslan and Tanyeri-Gunsur (2023) cover in their research recent developments during the COVID-19 pandemic, indicating the emergence of a seventh merger wave between January 2020 and March 2022, triggered by the pandemic. This is consistent with the neoclassical economic framework discussed previously, as they consider the COVID-19 pandemic to be an exogenous shock to the economic environment in their paper. Especially late in merger waves the bandwagon effect can be observed when managers make acquisition decisions influenced by trends, market perceptions, or peer actions and overpay significantly for their acquisitions. These acquisitions typically result in lower returns for the acquirer compared to those announced prior to a surge in M&A activity. That is a reason why it is important for managers and researchers alike to be aware of or even anticipate merger waves.

2.3 Theories & practices of harm

There are several theories and practices of harm that platform businesses may utilise when competing for a share of the market. Gaining a deeper understanding of the theories and practices of harm is crucial for comprehending the potential negative consequences associated with platform M&A in particular. In digital markets, traditional theories of harm, such as market strategies that restrict supply, have less significance and the focus is on other ways of gaining unfair advantages over the competition. (Parker et al., 2021) One theory suggests that platforms engage in 'steering' encouraging users to use one platform over another. (Hovenkamp, 2019) In this context, a distinction must be made between pro-competitive and anti-competitive steering. Pro-competitive steering does not restrict the freedom of users to switch between platforms and should therefore be encouraged by the antitrust policy in place. (Hovenkamp, 2019) Offering low prices to encourage multi-homing end users to form exclusive relationships on the other hand could pose a threat to competition. (Hovenkamp, 2019; Rochet and Tirole, 2003)

Another theory of harm that is considered is the 'killer acquisition'. Killer acquisitions denote instances where established companies acquire innovative targets with the primary goal of terminating the targets innovative projects in order to preemptively shut down competition. (Cunningham et al., 2021; Parker et al., 2021) A prominent example of this is Facebook's killer acquisition of WhatsApp in 2014. (Van Den Bosch, Zita, 2023) In the end, WhatsApp continued to operate under its original brand name primarily attributed to its strong complementarities with the parent company. A reason why authorities mostly don't act in these cases is information asymmetry. The acquirer is likely to have more information about the transaction than the authorities, either quantitatively or qualitatively. Authorities found it increasingly difficult to assign motives to these acquisitions that would trigger an investigation due to the information asymmetry. This is particularly challenging in cases where the target company has a low turnover that does not meet the notification thresholds. (Cunningham et al., 2021; Parker et al., 2021) As Cunningham et al. (2021) point out, these killer acquisitions occur disproportionately just under antitrust scrutiny thresholds. This should give policy makers reason to question in-place policies and rethink notification thresholds as a whole. Another aspect of this theory of harm relates to the so-called acquihire. This is a form of talent acquisition where companies acquire targets solely for the purpose of recruiting their high-profile employees often protecting their market position or ultimately eliminating competition. (Parker et al., 2021) Not all acquihires are anticompetitive. The anticompetitive nature of an acquihire depends on the motives and rivalry status of the companies involved. (Parker et al., 2021)

The next theory of harm concerns the impact that M&A activity by large companies can have on smaller firms, such as start-ups operating in related markets. These acquisitions may result in a decrease in market entry rates and an subsequent reduction in the availability of venture capital funding for start-ups in the same market. (Kamepalli, 2020; Parker et al., 2021; Prado and Bauer, 2022) In summary, platform M&A is discouraging investment. (Parker et al., 2021; Prado and Bauer, 2022) Contrary to traditional economic reasoning, where one would expect the acquisition price to pay for innovation, here it can make sense recalling the nature of the firm in question. (Parker et al., 2021; Prado and Bauer, 2022) Platform companies operate in different ways to traditional companies with a multi-sided structure, network effects, data-driven economies of scope, and facilitating switching costs, so the argument can be made that there is an imbalance between the acquisition price paid and the compensation for innovation. (Parker et al., 2021; Prado and Bauer, 2022) When platform companies enter the market, venture capitalists may reduce investments as it becomes more challenging for their investments to pay off due to the dynamics created by platform businesses. (Parker et al., 2021) Subsequently, small companies and potential new entrants may be deterred from investing in products and solutions to boost their market entry. (Parker et al., 2021) When considering the possibility of the incumbent extracting rent and thereby reducing the investment made by the start-up, this threat is all the more prevalent. (Katz, 2021; Parker et al., 2021)

Conglomerate mergers, particularly those facilitating one-stop shopping, can introduce consumption synergies that affect consumer welfare negatively and therefore contribute to theories of harm. (Motta and

Peitz, 2021) Many consumers appreciate the convenience of purchasing a wide range of products in a single location, commonly known as one-stop shopping. (Rhodes and Zhou, 2019) Considering that consumers invest significant time in price searches and value comparisons of different products, a conglomerate merger enables consumers to reduce these search costs and benefit from the consumption synergies of one-stop shopping through the merged platform, requiring only a single search for each market. Rhodes and Zhou (2019) consider an equilibrium in which conglomerate firms are able to harvest higher profits while, compared to their counterparts, single-product firms, charging lower prices. Given low search costs this leads to an asymmetric market structure which they show to soften competition and therefore inflicting consumer harm. (Motta and Peitz, 2021; Parker et al., 2021; Rhodes and Zhou, 2019)

The amount of data at a company's disposal is a critical factor in the impact of M&A and in platform competition. Data enables firms to enhance their service offerings, improve advertiser services, better price discriminate between customers, and extract surplus from advertisers more effectively. Additionally, more consumer data enables the improvement of the match quality between advertiser and consumer. (Motta and Peitz, 2021) Initially, the merger benefits the consumer and increases consumer welfare in the short term. However, in the long term, this can result in adverse outcomes for consumers and society, potentially leading to firm exits. This argument considers the efficiency offence, where the efficiencies of merged firms are viewed as negative because they force competitors out of the market, effectively creating a monopoly. (Motta and Peitz, 2021) Some of the data applications have anti-competitive effects. Using data to improve a company's products or services or to reduce moral hazard is generally considered pro-competitive. However, more efficient price discrimination and subsequent better surplus extraction are generally considered anti-competitive. Advertisement targeting can have dependent on usage both pro- and anti-competitive effects. (de Cornière and Taylor, 2023) As outlined by de Cornière and Taylor (2023) the unilateral effects of data show a trade-off between mark-up and surplus extraction. The mark-up effect demonstrates that data increases the value of each consumer and that consequently intensifies the competition of firms for each consumer. Data can improve surplus extraction efficiency, but it may also lead to lower service quality. (de Cornière and Taylor, 2023) Leveraging data-driven information asymmetry therefore is anti-competitive and contributes to theories of harm.

Another tool at the disposal of companies is tying or bundling. They have emerged as a possible theory of harm warranting scrutiny in the context of M&A of platform businesses. (Parker et al., 2021) A tying arrangement involves forcing buyers to purchase an additional product along with their desired item or refrain from buying it elsewhere. (Economides, 2012) Bundling is a broader concept that involves selling collections of goods as a package, with varying compositions and pricing conditions. (Economides, 2012) As suggested by Fumagalli and Motta (2020), tying can be more profitable and exclusionary than pure bundling, especially in multi-homing scenarios. Scholars have identified two potential angles from which firms engaging in tying practices benefit. Firstly, tying could be used as a tool to leverage ultra-competitive profits in the context of two-sided platforms. A monopolistic platform with price constraints can bypass these limitations by tying zero-priced products and increasing platform participation on that side. Given these positive indirect network effects the platform can subsequently extract higher prices from the other side. (Mandrescu, 2021) Compared to using complementary products for the tying activity, multi-homing reduces the profitability of tying, as in the case of independent products. (Choi and Jeon, 2021) This diminishes the potential for leveraging market power and extracting surplus from consumers. The other angle firms use tying for is for foreclosure purposes. (Carlton and Waldman, 2012; Choi and Jeon, 2021; Fumagalli and Motta, 2020; Motta and Peitz, 2021; Robertson, 2024) While competing for negative prices, tying allows the tying firm to circumvent this constraint by adding another product or service for no additional cost. (Choi and Jeon, 2021; Mandrescu, 2021) Although tying firms can compensate consumers for the consumption of the inferior product and there could be many efficient reasons to engage in tying, there are also the potential risks of welfare-reducing tying, such as deterring competition and extracting additional profits. (Choi and Jeon, 2021)

Platforms may also gain unfair advantages over their competitors through self-preferencing, disproportionate access rules, platform participation fees, or degradation of interoperability.

3 Interviews

To validate the theoretical findings, bring a practical perspective into the mix, and match the theoretical to the practical perspectives two qualitative expert interviews have been conducted. A semi-structured interview with an expert was chosen as the method. The structured interview method is not suitable for this purpose as it restricts the expert's knowledge too much in this context. (Gläser and Laudel, 2006) On the other hand, unstructured interviews do not standardise either the questions or the answers. Gläser and Laudel (2006) A more restrictive approach with a preset question guideline is required as the time of potential experts is often limited and handling it like this can ensure that the expert provides answers to all previously elaborated topics. Therefore, the most appropriate category for this thesis is semi-structured interviews with an interview guideline that includes the topics of interest. These topics include the business model, specifically the platform business model, M&A, as well as post-M&A, and performance metrics/measures.

Using theoretical knowledge, it was possible to deduce paradigmatic groups that enable the categorisation of potential European platform companies for interviewing. The paradigmatic groups represent the user groups that platforms cater to and can be categorised accordingly based on the type of market they operate in. See figure 3 for a depiction. Gautier and Lamesch (2021) identified five user groups interacting with

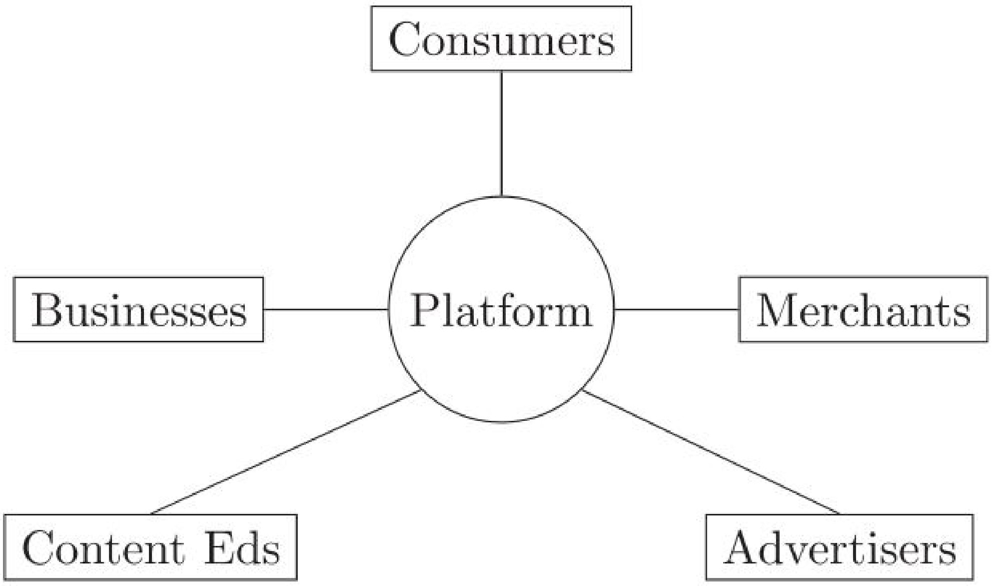

Figure 3: The platform and the user groups (Gautier and Lamesch, 2021, p. 4)

the platform and categorised the products and services offered by the five big platforms, Google, Amazon, Facebook, Apple and Microsoft, according to these paradigmatic groups. (Gautier and Lamesch, 2021) Figure

User Group	Product Examples
Advertisers	Advertising networks, auctions, serving technology, targeting services
Businesses	Cloud services, productivity software, collaboration tools, analytics software, CRM and sales software, data analytics
Merchants	Shopping websites, price comparison websites, delivery services, online payment services
Content Editors	Development tools for apps, music, videos, or games, online stores for content like app stores, music streaming
Consumers	Search engines, web browsers, social media, messengers, map services
Platform	Devices like smartphones, laptops, other wearables, operating systems and interfaces

Figure 4: User groups and products (Gautier and Lamesch, 2021, p. 4)

4 shows this categorisation. Summarising the involvement of those user groups discussed in the theory section 2.1.1 above: Advertisers leverage the platform as a means to deploy online advertising campaigns aimed at reaching prospective client. Businesses leverage the offerings provided by the platform to enhance

their internal productive and innovative processes. Merchants use the platform as a digital distribution infrastructure. Content editors create digital content and make it available to other users through the use of the platform. Consumers employ digital devices to navigate the internet and engage with its diverse content offerings. (Gautier and Lamesch, 2021) The user group Advertisers therefore have the product and service examples of advertiser networks, auctions, serving technology, and targeting services. Businesses refer to various examples including cloud services, productivity software, collaboration tools, analytics software, CRM and sales software, and data analytics. Merchants include shopping websites, price comparison websites, delivery services, and online payment services. Development tool for apps, music, videos, or games, online stores for content like app stores, and music streaming are product and service examples for content editors. The Consumers group has search engines, web browsers, social media, messengers, and map services as product and service examples. (Gautier and Lamesch, 2021) Through an extensive search on crunchbase.com using the keywords 'marketplace' and 'platform' and setting the headquarters location to 'Europe', the following paradigmatic European platform groups were discovered by connecting the findings with the research of Lehdonvirta et al. (2020) and matching the user groups described in Figure 4: retail platform, social media platform, online payment service, advertising marketplace, search advertisers, travel platform, ride-hailing/-sharing platform, food delivery platform, and music streaming platform. Most European platforms can be categorised through these groups and are two- or multi-sided platforms with the platform and at least two other user groups in the platforms environment. Retail platforms therefore typically have retailers on one side and customers on the other side of the platform. Social media platforms have advertisers on one side, content creators on another, and consumers on a third side of the platform. Online payment services have businesses and consumers on each respective side. Advertising marketplaces involve advertisers/sellers and buyers. Search advertisers platforms have advertisers and searchers. Travel platforms include advertisers, travel/accommodation suppliers, and customers. Ride-hailing/-sharing platforms have riders/passengers and drivers. Food delivery platforms engage advertisers, restaurants, and customers. Music streaming platforms involve advertisers, artists, and consumers. Table 1 displays the aforementioned connections. The platforms' sides have also been categorised according to user groups, with all user groups

Paradigmatic platform group	Platform sides
Retail platform	Retailers & customers
Social media platform	Advertisers, content creators & consumers
Online payment service	Businesses & consumers
Advertising marketplace	Advertisers/sellers & buyers
Search advertisers	Advertisers & searchers
Travel platform	Advertisers, travel/accomodation suppliers & customers
Ride-hailing/-sharing platform	Riders/Passengers & drivers
Food delivery	Advertisers, Restaurants & Customers
Music streaming platform	Advertisers, artists & consumer

Table 1: Paradigmatic platform groups with respective sides

represented. Advertisers and consumers are more prominently represented. Table 2 delivers a overview of this dynamic. These platform groups have been established in order to find an expert within these groups and also to ensure a significant sample representation in the further quantitative analysis. The former was done to ensure that the interviewees possessed the necessary knowledge for the interview. More on the latter in section 5. To recruit experts, 25 individuals were contacted via email or LinkedIn InMail. Contact information was obtained from publicly available sources such as crunchbase.com, linkedin.com, or rocketreach.co. The job titles of the individuals contacted range from chief executive officer (CEO) & Co-Founder to chief financial officer (CFO), and their roles are directly related to M&A or other strategic decisions. According to Dreiack and Niederberger (2018), the status of an expert is often based on assumed knowledge, professional status or social roles. Through their possession of four different types of knowledge, they are qualified to answer the questions of the research with precision. These types of knowledge include experiential, functional,

User group	Platform side
Advertisers	advertisers, drivers, restaurants, travel/accomodation suppliers
Businesses	businesses
Merchants	retailers, merchants
Content Editors	content creators, artists
Consumers	consumers, customers, searchers, buyers, riders/passengers

Table 2: Platform sides matched to user groups

operational, and contextual knowledge. (Dreiack and Niederberger, 2018) The expert-status and the knowledge types are assessed and documented through introductory questions about the company's field of business (What is [company name]s field of business?), primary clients and customer segments (Who are the company's primary clients or customer segments?), geographic scope of operation (Can you describe the geographic scope of the company's operations?), and the individual's personal history within the company. Introductory questions that test this are about their job tenure (How long have you worked at this company?), position-specific tenure (How long have you worked in this specific position?), their involvement in recent M&A activities of the company (Have you been involved in the recent merger and acquisition activities of your company?), and the level of involvement in these M&A activities (How much have you been involved in those activities?). In the questionnaire in Appendix A these are reflected by questions 1 to 6.1.

Questions 7 and 8 relate to the business model (How do you describe the business model of your company?; What is the comparative advantage of this business model from your perspective?), while questions 9 to 12 (What motivation did your company have for its recent M&A activity?; Why did your company choose European or non-European companies for your recent M&A activity?; What are the biggest challenges you & your company face while conducting M&A activities; On a scale of 1 to 5 with 1 being not important at all and 5 being very important: How important would you rate the regulatory environment for the M&A activities of your company and why?) pertain to M&A activity. Question 13 covers the topic of post-M&A (What factors do you think are most important for a successful post-M&A integration for a platform business?). Questions 14 and 14.1 (Do you evaluate your company's performance based on usage/engagement metrics or based on revenue metrics?; Could you elaborate on that a little bit? / How do you evaluate the usage/engagement metrics? / How do you evaluate the revenue? / Can you give me some examples) relate to performance metrics/measures. Out of the 25 individuals contacted, two were available and willing to participate in the interview within their limited time. It was agreed prior to the interview that a audio recording would be made solely for the purpose of creating a transcript. Additionally, it was agreed that all names, including those of the interviewees, named A and B respectively, would be anonymised. The interviews were conducted via telephone and video conferencing and lasted between 26 and 36 minutes. They were conducted between the 07.02.2023 and the 07.03.2023. After conducting the interviews the audio recordings were transcribed. The transcripts of Interview A, with Interviewee A, and Interview B, with Interviewee B, can be found in Appendices B and C, respectively.

The transcriptions followed the recommendations suggested by Gläser and Laudel (2006) for a set of rules. These were supplemented by the authors own complementary suggestions. Standard orthography was used without literary transcription. Non-verbal utterances were only transcribed if they conveyed meaning. Interruptions in the conversation were noted with [longer pause]. Incomprehensible passages were labelled with [incomprehensible]. Sentences that began incorrectly were rephrased to follow the intended sentence pattern and structure. The transcription of the interviews did not include any time stamps. In cases where company names or individual names were closely related to the company, such as an acquired company, they were anonymised and replaced with appropriate placeholders like [company name] or [acquired company].

3.1 Analysis of the interviews

Qualitative content analysis using MAXQDA 2022 (version 22.5.0) software was employed to extract and analyse data from the transcripts. The first step involved creating categories that represented the main categories of the open questions from the interview guidelines. These categories were then filled with subcategories that were derived from the experts' answers in the individual interview transcripts. The corresponding transcript was marked, and the words, sentences or paragraphs were assigned to a sub-category, including multiple mentions. Finally, the categories were reviewed once more and adjusted if necessary after finalisation to ensure accuracy. For thematic overlaps, categories were summarised and named based on the common theme. In the context of this master thesis, a reliability test to check for deviations in categorisation was omitted. The codesystem as well as the reports of all the coded segments can be found in Appendix D and Appendix E.

As indicated before, questions 1 to 6.1 were presented to introduce the expert, verify their expertise and knowledge of the study object. The analysis of these questions can therefore be kept brief. It can be confirmed that the experts work with experience and knowledge in their field of work. They both work for European companies that employ a type of platform business model. Additionally, they are directly involved in strategic decisions in the M&A area, among others. These facts meet the criteria of an expert in this field.

The business models of the experts' companies were then analysed in detail. Both companies used a platform business model that relied on network effects or demand-side economies of scale. Additionally, one of the companies used a software as a service (SaaS) model as part of their platform business model, selling and licensing software to one side of their platform. This allowed them to generate additional licensing and subscription fees from one user side, effectively subsidising the other side. The other platform had vertically integrated over time to offer advertising and logistics services, in addition to their core business of providing a platform for selling products over the internet.

The following section discusses the comparative advantages of the described business model, as explained by the experts. Interviewees emphasised the larger selection of products offered as a key driver of competitive advantage. This was closely linked to the notion of convenience, with interviewees highlighting the ease and accessibility that the business model affords to consumers. In addition, experts noted the business's advantage in offering a wider range of products, providing customers with a comprehensive selection in one place and promoting the concept of one-stop shopping. They also highlighted the model's agility, which allows it to quickly adapt to market changes and customer demands, keeping it ahead of competitors. The consolidation of services emerged as another advantage, streamlining operations and enhancing efficiency. Additionally, the quality of clients was noted as a distinguishing feature, indicating a strategic focus on cultivating relationships with high-value users of the platforms. Finally, the business model's concentrated focus on one industry was perceived as advantageous, allowing for specialised expertise and tailored solutions within that particular sector. Overall, the diverse advantages of the described business model were highlighted, positioning it favourably in comparison to the competition.

The analysis of the next question provided insights into the driving forces behind recent M&A activity within the companies. Experts unanimously pointed out that the company's motivation appears to revolve around the strategic pursuit of exploiting synergies. The intention is to leverage the combined strengths and resources of merged entities to enhance operational efficiency and gain a competitive edge. Interestingly, while sustainability was cited as a motivation, a closer examination of the underlying motive suggests that it may stem from agency considerations, specifically the bandwagon effect. One company's recent M&A activity could be perceived as following the trend of greenwashing, which has become fashionable lately. In this usually public relations (PR) or marketing related spin, companies try to deceive the public into perceiving a company or entity as more environmentally responsible than it truly is, thereby promoting ineffective solutions to the climate crisis. (United Nations, n.d.*a*) The manifestations of those actions can be manifold but in this case revolve around the vertical integration of the company in question. The service provider acquired offers green and sustainable delivery options to only a fraction of the platform's users. This may not effectively address the goal of reducing a company's pollutant emissions to net zero, and could be seen as an example of greenwashing, as discussed by United Nations (n.d.*a*) in their tactics for inducing greenwashing.

The experts provided reasons for their M&A activity within the EU, stating that they were strictly operating within their respective markets and following their strategy. Non-EU-based M&A activity was not considered part of their strategic path.

In the following question, the experts discuss the significant challenges encountered by individuals and companies during the M&A process. The most prominent challenge discovered considers the intricacies of determining the right price. This highlights the complexity of valuing assets and negotiating terms that accurately reflect their value. Furthermore, experts emphasised the challenge of accurately assessing market and industry dynamics, underscoring the importance of thorough analysis in the due diligence stage to inform strategic decision-making. Furthermore, the experts highlighted the importance of taking into account external factors such as regulatory frameworks or economic conditions, which can have a significant impact on the success of M&A activities. Another significant challenge identified was the integration phase, with the experts emphasising the need for a delicate balance to be struck in order to effectively harmonise disparate organisational cultures and processes. Aligning value propositions between merging entities was identified as another key hurdle, requiring meticulous planning and communication. Employee retention was cited as a concern, indicating the importance of retaining key talent during organisational change processes. Lastly, the challenge of consolidating assets was mentioned, reflecting the complexities involved in streamlining operations and optimising resource utilisation post-merger.

The experts' assessment of the regulatory environment's importance falls in the middle of a 5-point Likert scale, at a neutral position. Therefore, it neither inhibits special importance nor is it unimportant and can be ignored. As demonstrated by the previous question, companies may come into contact with the regulatory environment to varying degrees depending on their scale of operation and international reach.

The expert answers provided also valuable insights into the essential factors that contribute to a successful post-merger and M&A integration, especially in the context of a platform business. Interviewees emphasised the significance of volume growth as a critical factor, highlighting the importance of expanding market share and increasing transaction volumes to ensure the long-term viability of the integrated company. They also emphasised the importance of similarity between the merging entities in terms of business models, customer bases, and operational processes, which is advantageous to a smoother integration processes. Furthermore, the retention of both customers and employees was identified as a key priority,as these areas are often negatively affected during change processes. A unified strategy was also deemed essential, with interviewees stressing the importance of aligning strategic objectives and operational plans to ensure coherence and direction post-integration. In addition, the successful completion of post-M&A integration activities was identified as a critical factor. This highlights the significance of effective implementation and change management in achieving integration goals and realising synergies, even if post-M&A integration can take several years. Finally, respondents emphasised the need for flexibility, recognising the dynamic nature of the business environment. It is necessary to adapt integration plans and strategies in response to evolving market conditions as well as internal dynamics. These findings highlight the complex nature of successful post-M&A integration in a platform business.

The final question divided the experts on their approach to performance measurement. One interviewee had traditional performance evaluation goals in mind, such as determining if the company is winning the market through metrics like market share, revenue growth, or value creation via profit or return on capital employed (ROCE) metrics. Conversely, the other expert emphasised usage/engagement metrics as well as revenue metrics and even the quality of the revenue generated (including unit growth, customer quality and the absolute number of bookings made through the platform). This analysis includes the evaluation of conversion rates leading to bookings, platform usage (such as app vs. web usage, online vs. all bookings) for usage/engagement metrics, and take rate percentage, average order value, monthly recurring revenue, annual recurring revenue, revenue churn, and lifetime value for revenue metrics. Ultimately, due to the complexity of evaluating company performance and the existence of differing opinions, no clear recommendations can be made based on this analysis. Each approach has its merits and may be more suitable depending on the specific goals and circumstances of the company. Therefore, a comprehensive evaluation strategy may involve considering a combination of both revenue and usage/engagement metrics to gain a holistic understanding of performance.

After analysing the interviews, it became evident that the qualitative data provided valuable insights into the participants' perspectives and practical experiences. However, to enhance the findings, it was necessary to link them to existing theories and concepts in the fields of platform business model and M&A. By synthesising empirical evidence with relevant literature, theoretical frameworks can be formulated. This lays the groundwork for deriving hypotheses that bridge the gap between observed phenomena and established theoretical constructs. This synthesis process enables a more nuanced understanding of the complexities inherent in the research topic and facilitates the derivation of hypotheses that are not only grounded in empirical reality, but also informed by established theoretical perspectives.

4 Theoretical Framework related to the hypotheses

4.1 Network effects influence on platform businesses

This section explains the impact of network effects on platform businesses in M&A settings, discusses market options as study objects and why growth is a key performance indicator for such businesses.

Platform businesses seek to create an external ecosystem of partners and complementors (Benzell et al., 2023; Parker, 2016; Van Alstyne et al., 2016), different types of users like merchants, businesses, advertisers, consumers or content editors. (Gautier and Lamesch, 2021) Many value-creating activities of the value chain now occur outside the organisational confines and direct control of these companies. (Van Alstyne et al., 2016) For instance, marketing has evolved beyond the creation of internally controlled outbound messages, now emphasising the extension of propagation and creation directly to consumers themselves. Information technology is supporting more and more external social and community networks, rather than focusing solely on managing internal enterprise systems. Moreover, human resources now utilises the collective knowledge of networks to enhance internal talent, while the support and coordination role remains integral. Finance has evolved from recording its activities solely on private internal accounts to also recording some transactions externally on publicly accessible ledgers. Operations and logistics have moved away from the management of just-in-time inventory to the management of the inventory of platform participants or users, which they don't even own themselves. (Van Alstyne et al., 2016) Also the amount of data being collected and analysed has significantly increased since the emergence of platform businesses, which coincided with the digital revolution. Advancements in artificial intelligence and machine learning have enabled the transformation of data into personalised experiences, resulting in the creation of new or improved services. (Parker et al., 2021) This has led to the provision of more personalised user options and enhanced interactions with other users in the ecosystem. This was achieved at a lower marginal cost than before (Benzell et al., 2023), attributable to the competitive advantages of firms due to data-driven economies of scope and information-driven economies of scale. (Parker et al., 2021) Hence, once merged, big digital firms can grow quickly by expanding their operations to new users or adjacent markets at minimum cost. (Parker et al., 2021)

Firms can maintain their competitive advantage by protecting it from being copied or creating entry barriers. (Benzell et al., 2023; Porter, 1980) As discussed earlier, platform companies engaging in M&A activities may give rise to various theories of harm, particularly when attempting to create entry barriers. One specific dynamic in platform businesses are network effects, which are demand-side economies of scale that contribute to a firms competitive advantage when they are strategically leveraged, resulting in increased profitability and cost savings. (Fuentelsaz et al., 2015) The competitive advantage that platform companies can create from their networks is significantly contributed to by the cumulative impact of network effects. This is because the size of their networks plays a major role in the amount of data these platforms can collect and analyse. When acquiring or merging a company, the customer base and business connections are also acquired as part of the deal. (Anderson et al., 2001; Öberg, 2018) Since customers in platform industries are often subject to high switching costs customer lock-in or "excess inertia" (Farrell and Saloner, 1986; Farrell and Shapiro, 1988; Katz and Shapiro, 1986) occurs frequently (Beggs and Klemperer, 1992; Fuentelsaz et al., 2015) and leaves platform businesses fighting for customers. M&A activities serve as a way for platform businesses to gain network effects through customer acquisition, as other means such as price reductions or innovation can be difficult to realise. Meanwhile, they can maintain their advantage by erecting entry barriers. As previously mentioned, M&A activity can also serve as a means to achieve financial efficiency, fulfill consolidation, extension or or personal ambitions and the strengthening of their capabilities. It has become a popular strategy among firms to use mergers and acquisitions to gain growth. (Anderson et al., 2001) In the case of platform businesses this growth is especially important to their networks.

The European market emerges as a captivating focal point amidst this this evolving business environment. It is particularly intriguing due to its high density of cultures, languages, and innovations. Numerous small platform businesses have appeared with unique business models and value propositions. Previously, North America and the Asia Pacific region had led the way in terms of M&A deal value, but the value of European M&A deals is now approaching that of North America and has even overtaken the Asia Pacific region. (Statista, 2023*b*) This is interesting because this is happening despite the recent additional regulatory efforts from the European Union (EU) in that department, such as the Digital Services Act (DSA) and the Digital Markets Act (DMA). (*Regulation (EU) 2022/1925*, 2022; *Commission Implementing Regulation (EU) 2023/814*, 2023; *Regulation (EU) 2022/2065*, 2022) Studying European platforms within a more regulated environment allows for a more focused analysis of the core dynamics and drivers of platform success. In contrast, platforms operating in less regulated markets may face fewer constraints and may exploit regulatory gaps or inconsistencies to gain a competitive advantage. While studying platforms in such environments can provide valuable insights into the interaction between regulation and platform behavior, it may introduce additional complexities and confounding factors that could obscure the underlying dynamics of platform ecosystems. Neither countries nor supranational unions have fully caught up and/or fully addressed the need for regulating the digital sector or its M&A activities. Antitrust regulations may still be underenforced as many platform M&A activities have gone unnoticed due to a lack of investigation, despite the large number of deals. (Parker et al., 2021) That's why scholars of the platform business literature branch have cautioned against using conventional methods to assess performance, particularly in the areas of M&A and antitrust. (Furman et al., 2019; Gautier and Lamesch, 2021; Motta and Peitz, 2021; Parker, 2016; Parker et al., 2021) It is therefore all the more important to to propose alternatives so that managers, legislators, and other involved parties can act based on accurate information. Only few scholars have explored which metrics are significant for platform businesses. Fewer still have attempted to account for the entire lifecycle of a platform business, rather than just one phase, and to determine which metrics are important at each stage of the platform's lifecycle. Parker (2016) though discuss these and categorise them into the three life stages start-up phase, growth phase and maturity phase. As this is one of the few comprehensive publications on platform business metrics, the following section will heavily reference it. According to the research findings, the focus lies on the level of activity within the platform, particularly the interactions taking place.The key metrics are those that measure the platform's success in encouraging consistent repetition of desirable interactions. During the start-up stage, it is crucial to achieve liquidity, which means having a minimum number of producers and consumers with a high rate of successful interactions. Critical metrics to consider include the percentage of listings resulting in interactions within a specified timeframe, the proportion of active users, and the growth rate of active users. Matching quality is also pivotal, as it demonstrates the accuracy of the platform's search algorithm and the user-friendliness of its navigation tools. Metrics such as the sales conversion rate can serve as indicators of matching quality. Finally, measuring trust is another vital aspect as it reflects user confidence in the degree of risk linked to participating in interactions on the platform. Moving to the second stage, platforms should aim for balance on all their sides of the market, considering metrics such as the producer-to-consumer ratio or individually tailored measures like side-switching rates or distance between consumers and producers. In the two-sided platforms case producer-side metrics may include the frequency of producer participation, outcomes achieved, listings created, producer fraud and interaction failure, while on the consumer side, essential metrics may include consumption frequency, searches, rate of conversion to sale, the interaction conversion rate and the likelihood of repeat interactions. In the maturity phase, platform businesses should focus on fostering innovation, maintaining a high signal-to-noise ratio, and facilitating efficient resource allocation to sustain growth and relevance in the competitive landscape. (Parker, 2016) As discussed above, platform businesses rely on interactions within the network to create value, primarily through the impact of network effects. (Parker, 2016)

Research on the platform business model suggest that an integral part of this business models value creation engine lies within its network, which is powered by its users, and the network effects that will result from their interactions and participation. Therefore it is expected that additional network effects gained through M&A will be positively associated with the performance of a platform business.

Hypothesis 1 (H1) *There will be a positive association between additional network effects gained* *through M&A and the performance of a platform business.*

4.2 Acquisition experience as a capability

Examining the literature on M&A, it has steadily grown since its emergence in the early 1980s and gained more traction during the sixth merger waves.However, there are still many constructs and correlations that have not been thoroughly explored, and much of the literature is connected to finance. Scholars have found conflicting results regarding performance outcomes (Anand and Lee, 2018; Cho and Chung, 2022; Hitt et al., 1998; Ravenscraft and Scherer, 1987), which may be due to this lack of exploration and understanding of the subject. It is important to note that there are no universal solutions to M&A, as cultural backgrounds and concepts often clash in this area. This is particularly evident in cross-border M&A and during the integration phase. The process of integration presents significant challenges, particularly in growth-oriented acquisitions (Capron, 2018) such as platform acquisition, as discussed in the preceding text. The acquiring entity must delicately balance preserving autonomy with achieving integration. (Capron, 2018) Failure to do so may result in the destruction of acquirer value. (Bozos et al., 2021) Acquirers may underperform due to poor diligence, deficient governance, underestimation of required resources for post-acquisition integration, and a lack of organizational and cultural fit between the acquirer and acquiree. (Bozos et al., 2021) According to Ma and Liu (2017), the success or failure of M&As is to a certain extent determined by the ability to integrate. Therefore, it is important for firms to evaluate and improve their knowledge and innovation abilities. (Ma and Liu, 2017) In the context of merger waves, which occur when companies that have not previously engaged in deals begin to do so, or when companies that are already active in the M&A market engage in more or larger deals, it is important to note that this implicates an environment filled with inexperience. (Auster and Sirower, 2002) Especially in the field of cross-border acquisitions scholars have therefore emphasised the importance of acquisition experience, since it can be instrumental in reducing uncertainty and market unfamiliarity (Bozos et al., 2021) as well as establishing routines on how to achieve optimal integration levels after the deal too. (Bozos et al., 2021; Vermeulen and Barkema, 2001) Moreover, cross-border acquisitions have also been linked to expanding a firm's knowledge base, overcoming inertia, and facilitating the development of new knowledge by combining existing forms of knowledge. (Kogut and Zander, 1993; Vermeulen and Barkema, 2001) Capron (2018) and Vermeulen and Barkema (2001) argue that effective learning from acquisitions needs the transfer of knowledge, routines, skills, and personnel from the acquired firm to the acquiring entity. Capabilities relevant to acquisitions include a wide variety of activities and subprocesses within the more general acquisition process. These include target identification and/or selection, due diligence, negotiation, integration, and retention of the target's valuable human capital. (Galavotti, 2019) And although acquisitions may also facilitate learning, even if they were not the primary objective (Vermeulen and Barkema, 2001), inconsistent empirical results have challenged the assumption that experience inevitably leads to learning in the context of acquisitions. (Galavotti, 2019) As previously mentioned, the RBV considers a company's internal resources and capabilities to be its sustained competitive advantage if they are valuable, rare, inimitable, and non-substitutable, and can be generated or acquired by the firm. (Barney, 1991) As an extension of the RBV the knowledge-based view of the firm (KBV) (Grant, 1996; Kogut and Zander, 1992; Nelson, 1982) includes knowledge as one of the most important strategic resources of the firm. (Hörisch et al., 2015) Furthermore, the KBV incorporates the concept of knowledge acquisition to explain how integrating new information can enhance the overall performance of a company. (Hörisch et al., 2015) In line with the KBV, an acquiring firms performance is "influenced by the degree to which the acquiring firm develops a capability specific to managing the acquisition process" (Zollo and Singh, 2004). This developed capability then could be seen as tacit knowledge (Nonaka, 1994; Polanyi, 1985), a concept in KBV that "covers knowledge that is unarticulated and tied to the senses, movement skills, physical experiences, intuition, or implicit rules of thumb" (Nonaka and von Krogh, 2009). In comparison, there is also explicit knowledge recognised in the KBV, which refers to knowledge uttered, drawn or written down.(Nonaka and von Krogh, 2009) Acquisition experience can fall under both categories, but it has almost exclusively been researched in explicit contexts. (Dao and Strobl, 2019) In order to access tacit acquisition experience, firms must codify this aspect of the acquisition process. (Dao and Strobl, 2019; Zollo and Singh, 2004) Otherwise the sustainable competitive advantage the acquirer company has developed might not be fully transferred to the target and its people in the integration stage and a competitive advantage might be lost. Grant (1996) also confirms that if tacit knowledge cannot be codified, transferring it to the intended target can be slow, costly and uncertain.

Research on M&A performance and integration indicates that firms can improve their ability to manage acquisitions and integrate purchased entities by gaining more experience through conducting additional M&A transactions. Acquisition experience enables experienced acquirers to overcome the challenges of cross-border M&A. Therefore it is expected that additional acquisition experience gained through M&A will be positively associated with the performance of a platform business.

> **Hypothesis 2 (H2)** *There will be a positive association between additional acquisition experience gained through M&A and the performance of a platform business.*

5 Research methodology

The methodology employed in this thesis adopts a longitudinal, explanatory research design. This approach is chosen to establish causal relationships between the variables under investigation and to test the formulated hypotheses H1 and H2. By using longitudinal analysis, this thesis aims to provide comprehensive insights into the dynamic nature of the relationships studied over time, facilitating a deeper understanding of the phenomena being explored. The population of this thesis includes platform business M&A deals in Europe. The sample was obtained from the S&P Capital IQ Pro Market Intelligence database and Google Trends. The sample was cut to completed deals where the buyer acquired at least 50 percent of the equity of the target firm. This accounts for a gain of majority control and follows the logic of previous scholars. (Bertrand et al., 2016) Furthermore only transactions in which private or public companies were involved either as acquirers or targets were considered. The sample was also trimmed by an 18-year period restriction between the years 2004 and 2022 to account for the availability of data from Google Trends since 2004. Moreover, only deals where the buyer/investor was part of one of the paradigmatic platform groups identified above were included. In the early stages of this thesis these groups were randomly filled with companies that had recent acquisitions and where it was likely that data was available on the database. The final sample consists of 127 deals of 27 acquiring platform companies from 8 European countries operating across 12 industries. The data from Google Trends was collected using worldwide web searches during the maximum possible time frame, from the beginning of data collection in 2004 to 2022. The exact search terms and subcategories for these terms are compiled in Appendix F.

5.1 Dependent variable

The dependent variable in both hypotheses is the *performance of a platform business*. As Zhao et al. (2020) have already discussed this can be measured through sales growth and market share. The literature on new ventures (Chandler and Hanks, 1993; Schoonhoven et al., 1990; Short et al., 2009), firm performance in fast-changing environments (Wilden et al., 2013) and in the context of high-growth firms (Demir et al., 2017) also suggested sales growth as a performance measure. Sales growth was measured as revenue growth, as reported by the S&P Capital IQ Pro Market Intelligence database, through the formula:

$$\frac{Current\ fiscal\ year\ revenue - previous\ fiscal\ year\ revenue}{Previous\ fiscal\ year\ revenue}$$

When looking at the second measure of platform business performance market share then two options present themselves. Measuring it either as absolute or relative market share. In the context of incomplete information - often only public companies are reported due to financial disclosure and even within them revenues reported through the S&P Capital IQ Pro Market Intelligence database are incomplete – the relative market share was measured through the formula:

$$\frac{\frac{Focal\ company\ revenue\ current\ fiscal\ year}{Same\ SIC\ code\ companies\ revenue\ combined\ current\ fiscal\ year\ revenue}}{\frac{Highest\ revenue\ of\ same\ SIC\ code\ company\ current\ fiscal\ year}{Same\ SIC\ code\ companies\ revenue\ combined\ current\ fiscal\ year\ revenue}}$$

This measures the relative market share of the focal company compared to the market leader in the same Standard Industrial Classification (SIC) code, with the highest reported revenue in this SIC code. The SIC code is a four-digit classification system designated by the U.S. Office of Statistical Standards that categorises a business according to the type of activity it performs. The revenues and SIC code companies considered are limited to those in Europe. Both hypotheses were analysed twice in all models, once for sales growth and once for relative market share, taking into account the bilateral nature of the dependent variable.

5.2 Independent variables

Additional network effects gained through M&A was measured through the proxy of web searches, reported from Google Trends, as the difference between average searches in the year of the acquisition and one year after the acquisition took place. Google Trends data "reflects how many searches have been done for the particular term relative to the total number of searches done on Google" (Google, n.d.). In recent years Google Trends has been recognized in research as a "significant source of big data" (Jun et al., 2018). In the economic literature, it has also been utilised as a predictive method. (Askitas and Zimmermann, 2009; Choi and Varian, 2012). When entering a search term in Google Trends' search box, you are prompted to select a specification term that reflects the topic or category of the search term. A specification term for the platform or the company has been used where possible, and in other cases the specification term 'search term' was used to stay as close to the company/platform as possible. A compilation of the search terms used for the single companies can be found in Appendix F *acquisition experience* was measured through the number of acquisitions in the 4 years preceding the focal acquisition. This is in line with the method used by previous scholars (Fowler and Schmidt, 1989). This was done month and day sensitive.

5.3 Control variables & models

The data was analysed using both linear regression models and within panel data models, accounting for the bilateral nature of the dependent variable.

The models included several control variables that could potentially affect the dependent variable. First, this thesis controlled for the country of the acquiring firm. Controlling for country-specific factors is important for understanding the influence of national contexts on the performance of platform companies engaged in M&A activities holding other factors constant. The inclusion of a country dummy variable allows for the isolation of the unique impact of each country's economic, regulatory, and institutional environment. Considering the significant variations in business climates, market dynamics, and regulatory frameworks across different countries, it is crucial to account for these factors to avoid biased estimates and misleading conclusions. By controlling for country effects, the analysis could disentangle the influences of national contexts on platform business performance, enable comparisons across countries and facilitate the identification of best practices and opportunities for improvement within specific geographic regions. For each country of origin from which an acquiring platform company made a purchase, a dummy variable has been created.

Secondly, the industry of the acquiring firm was controlled for. As industries can vary widely in terms of consumer preferences, market maturity, regulatory requirements, and technological advances controlling for these can isolate the impact of industry characteristics, conditions and the competitive landscape. Failure to do so can once again result in inaccurate conclusions and biased estimates. For each unique industry of an acquiring platform company, identified by the SIC code, a dummy variable has been created.

Thirdly, in the linear regression models the age of the acquiring firm was controlled for. As firm age reflects the length of time a company has been in business it can serve as a valid proxy for organisational experience or maturity. Mature companies may exhibit different performance trajectories than their younger counterparts due to factors such as instance organisational rigidity (Coad et al., 2018; Loderer et al., 2017), the liability of newness (Yang and Aldrich, 2017) or old age (Coad et al., 2018). It's noteworthy that while controlling for firm age is crucial in linear regression models, it's often not feasible in panel data models due to multicollinearity concerns, as firm age may be highly correlated with time-fixed effects of the panel data model. However, its inclusion in linear regression models offers valuable insights into the impact of organisational experience or maturity on platform performance, thereby enhancing the robustness and validity of the regression analysis.

As just discussed, the fixed effects panel data model inherently controls for time within its methodology. (Croissant and Millo, 2008) The time-fixed effects, which represent the effects of individual years in this case, are absorbed into the model, effectively controlling for year-specific variation in the data. This control is crucial for several reasons. Firstly, it accounts for any systematic changes that occur over time across all companies in the dataset, such as economic trends like merger waves, regulatory shifts, or technological advancements. By controlling for year effects, it is possible to isolate the impact of the independent variables on the platform's performance in this context, without being affected by temporal trends. (Bateson and Schwartz, 1999) Additionally, controlling for years improves the comparability of results across different time periods, ensuring that the observed connections are not just due to changes over time.

This paragraph discusses the limitations and potential issues of the research and methodology presented in this paper. First off, Google Trends data was used as a proxy measure of network effects due to the scope of this thesis, which prevented a more direct measurement of platform usage and user involvement. The interviews and existing theory indicated that a more direct measurement would be necessary to provide a holistic picture of network effects. Platform performance was measured by sales growth and market share, which contradicts the deduction discussed in the thesis. It may have been closer to theory to measure through interaction metrics. The revenue data for all companies of one SIC code was combined, using only the data available via the S&P Capital IQ Pro Market Intelligence database. This approximated the relative market share instead of including all companies. However, in the context of a master's thesis and considering the limited availability of data, it can be assumed that most platform companies are unwilling to provide researchers with deeper insights into one of their most valuable assets. Therefore, the measure employed was the closest to the available theory. The industry dummies were created in the SIC code, an old classification code from 1957. (Esther, 1957) Other newer classification systems exist, such as the United Kingdom Standard Industrial Classification of Economic Activities (UK SIC), North American Industrial Classification System (NAICS) (Jacobs and O'Neill, 2003), Statistical classification of economic activities in the European Community (NACE), which is derived from the French title 'Nomenclature statistique des activités économiques dans la Communauté européenne' (Eurostat, n.d.), International Standard Industrial Classification (ISIC) (United Nations, n.d.*b*) or Global Industry Classification Standard (GICS) (MSCI Inc., n.d.; S&P Dow Jones Indices, n.d.). The choice for the SIC was made due to the availability of data and its ease of comparability.

The next section analyses and presents the results from the data analysis. Through the application of linear regression models and fixed effects panel data models this section examines the relationships between the dependent and independent variables laid out by the hypotheses. By controlling for the country, industry, firm age, and time, the analysis ensures robust and reliable findings.

6 Data analysis and results

The data analysis was performed using RStudio software (Version 2023.06.0 Build 421), an integrated development environment for R (Version 4.3.0) that allows statistical computing. The data was processed using the same software to make it usable for analysis. Descriptive statistics are included in Table 3. As shown in Table

Variable	Mean	SD
Sales growth	1.72	8.48
Market share	0.17	0.3
Additional network effects	2.62	12.41
Additional acquisition experience	2.13	1.94
Firm age	23.08	16.62

Table 3: Descriptive statistics

3, while the average sales growth is 1.72, the standard deviation is relatively high at 8.48, indicating that sales growth varies considerably across companies. Market share has a mean of 0.17 and a standard deviation of 0.3, suggesting that while the average relative market share tends to be in the lower percentile range, there is a moderate variability across companies. The mean value of additional network effects is 2.62, with a very high standard deviation of 12.41, indicating that the impact of network effects varies significantly across firms in the population. The mean value of additional acquisition experience is 2.13, with a smaller standard deviation of 1.94, indicating moderate variability in firms' acquisition experience. Finally, the mean firm age is 23.08 years, with a standard deviation of 16.62, indicating that the population contains both well-established and relatively new firms.

6.1 Linear Regression models

Subsequently, four linear regression models were subjected to analysis. As previously discussed in the methodology section, two models were created for each hypothesis, accounting for the bilateral measurement of platform performance in this thesis. Table 4 includes the results of linear regression models 1 and 3, which measure the dependent variable platform performance through sales growth respectively for H1 and H2. Model 1 incorporates additional network effects and controls for country and industry dummies, in addition to firm age, and demonstrates a statistically significant relationship with sales growth ($F(21, 399794) = 3686$). The p-value associated with the F statistic is below 0.01, indicating that the probability of observing these results by chance alone is less than 1%. This provides strong evidence to reject the null hypothesis and affirm significant differences among the group means. The model explains approximately 16.21% of the variance in sales growth through the independent variable and control variables (adjusted $R^2 = 0.1621$). While positively associated with sales growth, additional network effects are found to be statistically insignificant. However, several country and industry variables demonstrate significant effects. An acquirers location in Ireland, Spain, or Sweden is associated with significantly higher sales growth compared to other countries. Conversely, an acquirers location in Poland is associated with a substantial decrease in sales growth. All industries exhibit statistically significant associations with sales growth, as indicated by the p-values, which are all below 0.01. The coefficients for industry dummies indicate that being in most industries is associated with a particularly large negative impact on sales growth. However, being in industry 6719 is associated with only a comparatively minor negative impact on sales growth. Firm age also plays a significant role, with older firms experiencing slightly lower sales growth.

Model 3, which incorporates acquisition experience along with country and industry dummies and firm age as control variables, reveals a statistically significant relationship with sales growth ($F(21, 439646) = 4275$). The associated p-value for the F statistic is lower than 0.01, indicating a highly significant relationship. The model explains approximately 16.95% of the variance in sales growth (adjusted $R^2 = 0.1695$). It is noteworthy that the additional acquisition experience does not exhibit statistical significance, and that the relationship is weak. However, similar to model 1, various country and industry variables demonstrate significant effects. Once more, it can be observed that acquiring platforms based in Ireland, Spain, and Sweden exhibit considerably higher sales growth than those based in other countries. Conversely, acquiring platforms based in Poland are associated with a substantial decrease in sales growth. All industry variables exhibit statistically significant associations with sales growth ($p < 0.01$), with coefficients indicating considerable negative impacts across most industries, except for industry 6719, which shows a comparatively minor negative impact. Additionally, firm age remains statistically significant, with older firms experiencing slightly lower sales growth.

Table 5 presents the results of linear regression models 2 and 4, which measure the dependent variable platform performance through market share respectively for H1 and H2. Similarly to model 1, model 2 includes additional network effects and controls for country and industry dummies, in addition to firm age. The F statistic indicates a highly significant relationship between the independent variables and market share ($F(21, 441014) = 102374$). The associated p-value of <0.01 suggests that the probability of observing such a strong relationship by random chance alone is extremely low. Approximately 82.98% of the variance in market share is explained through the independent variable and control variables (adjusted $R^2 = 0.83$). Notable is the strong statistical significance of all predictor variables, indicating that each variable contributes meaningfully to the explanatory power of the model. Additional network effects exhibits a slightly negative association. When examining country factors, only Sweden exhibits a positive association, while all other

	Dependent variable:	
	Sales growth	
	Model 1 (H1)	Model 3 (H2)
Additional network effects	0.001 (0.001)	
Additional acquisition experience		0.003 (0.007)
France	0.522*** (0.163)	0.484** (0.159)
Germany	0.994*** (0.174)	0.971*** (0.167)
Ireland	3.238*** (0.406)	3.215*** (0.391)
Netherlands	1.367*** (0.179)	1.349*** (0.173)
Poland	−19.772*** (0.210)	−19.795*** (0.197)
Spain	4.722*** (0.271)	4.675*** (0.259)
Sweden	6.654*** (0.177)	6.658*** (0.172)
United Kingdom	0.897*** (0.182)	0.891*** (0.174)
Industry 4121	−27.126*** (0.290)	−27.128*** (0.275)
Industry 5960	−24.331*** (0.130)	−24.342*** (0.119)
Industry 5961	−24.172*** (0.116)	−24.186*** (0.108)
Industry 6021	−22.814*** (0.153)	−22.845*** (0.145)
Industry 6719	−3.614*** (0.265)	−3.628*** (0.255)
Industry 7370	−24.287*** (0.138)	−24.280*** (0.130)
Industry 7374	−23.785*** (0.120)	−23.804*** (0.109)
Industry 7375	−24.457*** (0.178)	−24.458*** (0.169)
Industry 7379	−24.127*** (0.227)	−24.095*** (0.218)
Industry 7389	−24.301*** (0.123)	−24.303*** (0.114)
Industry 8999	−24.165*** (0.166)	−24.148*** (0.158)
Firm age	−0.012*** (0.001)	−0.012*** (0.001)
Constant	24.080*** (0.195)	24.094*** (0.185)
Observations	399,816	439,668
R^2	0.162	0.170
Adjusted R^2	0.162	0.170
Residual Std. Error	7.945 (df = 399794)	7.729 (df = 439646)
F Statistic	3,685.591*** (df = 21; 399794)	4,275.256*** (df = 21; 439646)
Note:		*p<0.1; **p<0.05; ***p<0.01

Table 4: Linear regression model 1 & 3

	Dependent variable:	
	Market share	
	Model 2 (H1)	Model 4 (H2)
Additional network effects	−0.0002***	
	(0.00002)	
Additional acquisition experience		−0.001***
		(0.0001)
France	−0.116***	−0.103***
	(0.002)	(0.002)
Germany	−0.032***	−0.019***
	(0.002)	(0.002)
Ireland	−0.604***	−0.592***
	(0.005)	(0.005)
Netherlands	−0.148***	−0.138***
	(0.002)	(0.003)
Poland	−0.153***	−0.142***
	(0.003)	(0.003)
Spain	−0.089***	−0.075***
	(0.004)	(0.004)
Sweden	0.166***	0.165***
	(0.002)	(0.003)
United Kingdom	−0.152***	−0.143***
	(0.002)	(0.003)
Industry 4121	0.432***	0.432***
	(0.004)	(0.004)
Industry 5960	0.829***	0.834***
	(0.002)	(0.002)
Industry 5961	0.008***	0.010***
	(0.001)	(0.001)
Industry 6021	−0.277***	−0.265***
	(0.002)	(0.002)
Industry 6719	−0.018***	−0.016***
	(0.003)	(0.004)
Industry 7370	−0.030***	−0.032***
	(0.002)	(0.002)
Industry 7374	−0.111***	−0.101***
	(0.001)	(0.001)
Industry 7375	0.572***	0.573***
	(0.002)	(0.003)
Industry 7379	0.047***	0.042***
	(0.003)	(0.003)
Industry 7389	−0.087***	−0.089***
	(0.002)	(0.002)
Industry 8999	−0.052***	−0.057***
	(0.002)	(0.002)
Firm age	0.009***	0.009***
	(0.00001)	(0.00001)
Constant	−0.026***	−0.034***
	(0.003)	(0.003)
Observations	441,036	483,804
R^2	0.830	0.824
Adjusted R^2	0.830	0.824
Residual Std. Error	0.117 (df = 441014)	0.125 (df = 483782)
F Statistic	102,373.700*** (df = 21; 441014)	108,033.400*** (df = 21; 483782)
Note:		*p<0.1; **p<0.05; ***p<0.01

Table 5: Linear regression model 2 & 4

country dummies exhibit negative associations with Ireland exhibiting a comparatively strong negative association. Industry-level factors demonstrate varying degrees of influence, with industry 5960 and 7375 exhibiting comparatively strong positive associations and industry 6021 and 7374 exhibiting the strongest negative associations. Firm age, meanwhile, shows a slight positive association indicating that older firms tend to have higher market shares.

Finally, model 4 incorporates additional acquisition experience, country, industry and firm age as predictors of market share. Once again the F statistic indicates a highly significant relationship between market share and the predictors (F(21, 483782 = 108033) and the associated p-value suggests that observing such results by random chance alone is less than 0.1%. As indicated by the high adjusted R^2 value, model 4 is able to explain approximately 82.42% of the variance in market share. As with model 2, model 4 also demonstrates the strong statistical significance of all predictor variables. It can be observed that additional acquisition experience has a slight negative impact on market share, while country and industry factors exhibit similar varying degrees of influence as described above in model 2. Furthermore, firm age similarly also shows a slight positive association.

H1 predicted that the acquisition of additional network effects through M&A would be positively associated with the performance of a platform business, as measured by sales growth and market share. The results of Table 4, measuring platform performance by sales growth, support this but do not demonstrate statistical significance. The results of Table 5, measuring platform performance by market share, do not support this hypothesis while exhibiting strong statistical significance. The magnitude of both effects is not particularly significant. For example, all else equal, with an increase in additional network effects by one unit, market share decreases by 0.0002.

H2 predicted that the acquisition of additional acquisition experience through M&A would be positively associated with the performance of a platform business, as measured by sales growth and market share. Here a similar scenario as with H1 can be observed. The results of model 3, as shown in Table 4, measuring platform performance by sales growth, support H2 but do not exhibit statistical significance. The results of model 4, as shown in Table 5, measuring platform performance by market share, do not support H2 while demonstrating strong statistical significance. The impact of both effects is again not particularly significant. For example, all else equal, with an increase in additional acquisition experience by one unit, market share decreases by 0.001.

6.2 Fixed effects panel data models

This section comprises the results of the fixed effects panel data models. As previously discussed in the methodology section, two models were created for each hypothesis, accounting for the bilateral measurement of platform performance in this thesis.

The results of the fixed effects panel data models 5 and 7, which measure the dependent variable platform performance through sales growth respectively for H1 and H2, are provided in Table 6. Model 5 includes additional network effects, country and industry dummies, and captures the longitudinal dynamics of the data by focusing on the firm-specific differences over the years via the within-estimator. The model explains approximately 16.19% of the variance in sales growth (adjusted $R^2 = 0.162$), with a significant F statistic (F(20, 399778) = 3860), indicating strong evidence of overall model fit and the joint significance of the predictors. Additional network effects, while demonstrating a moderate statistical significance, indicate a slight positive association with sales growth. Notably, countries such as Ireland, Spain, and Sweden exhibit significantly higher sales growth compared to other countries, while Poland exhibits a substantial decrease in sales growth. All countries exhibit statistically significant effects, with the exception of France, which exhibits insignificant effects. While other industries demonstrate a significant negative association with sales growth, industry 6719 shows only a comparatively minor negative association.

Model 7 incorporates additional acquisition experience, country and industry dummies, and focuses on the firm-specific differences over the years via the within-estimator. The model accounts for 16.9% of the variance in sales growth (adjusted $R^2 = 0.169$). The F statistic indicates a highly significant relationship between sales growth and its predictors and the associated p-value suggests that observing such results by random chance alone is less than 0.1%. The independent variable additional acquisition experience is

	Dependent variable:	
	Sales growth	
	Model 5 (H1)	Model 7 (H2)
Additional network effects	0.003**	
	(0.001)	
Additional acquisition experience		0.035***
		(0.007)
France	0.111	0.045
	(0.160)	(0.155)
Germany	0.384**	0.329**
	(0.167)	(0.161)
Ireland	2.650***	2.575***
	(0.403)	(0.388)
Netherlands	0.945***	0.971***
	(0.176)	(0.171)
Poland	−20.255***	−20.217***
	(0.207)	(0.194)
Spain	4.352***	4.214***
	(0.269)	(0.257)
Sweden	6.651***	6.658***
	(0.177)	(0.172)
United Kingdom	0.381**	0.420**
	(0.177)	(0.171)
Industry 4121	−27.084***	−26.962***
	(0.290)	(0.275)
Industry 5960	−24.115***	−24.083***
	(0.128)	(0.118)
Industry 5961	−24.242***	−24.295***
	(0.116)	(0.107)
Industry 6021	−23.249***	−23.326***
	(0.149)	(0.141)
Industry 6719	−3.625***	−3.644***
	(0.265)	(0.255)
Industry 7370	−24.209***	−24.119***
	(0.138)	(0.130)
Industry 7374	−24.207***	−24.174***
	(0.116)	(0.106)
Industry 7375	−24.584***	−24.555***
	(0.178)	(0.169)
Industry 7379	−24.085***	−23.951***
	(0.227)	(0.218)
Industry 7389	−24.157***	−24.138***
	(0.123)	(0.114)
Industry 8999	−23.952***	−23.857***
	(0.165)	(0.156)
Observations	399,816	439,668
R^2	0.162	0.169
Adjusted R^2	0.162	0.169
F Statistic	3,860.306*** (df = 20; 399778)	4,477.742*** (df = 20; 439630)
Note:		*p<0.1; **p<0.05; ***p<0.01

Table 6: Panel data model 5 & 7

statistically significant and shows a positive association with sales growth. With the exception of France, all other country and industry dummies demonstrate statistical significance. Once more, as with model 5, Ireland, Spain and Sweden exhibit higher sales growth in comparison to other countries, while Poland shows a substantial decrease. Similar results that do not require further discussion, as with model 5, also apply to industries.

The results of fixed effects panel data models 6 and 8, which measure the dependent variable platform performance through market share respectively for H1 and H2, are provided in Table 7. Model 6 includes additional network effects, country and industry dummies, and captures the longitudinal dynamics of the data by focusing on the firm-specific differences over the years via the within-estimator. The F statistic demonstrates a highly significant relationship with market share (F(20, 440998) = 47977) and the associated p-value suggests that observing such results by random chance alone is less than 0.1%. The model explains 68.5% of the variance in market share through the predictors (adjusted R^2 = 0.685). Additional network effects shows a significant but slight negative association with market share. The results indicate that all industry and country dummies exhibit highly statistically significant effects. Furthermore, the analysis reveals that all countries exhibit a positive association with market share, with the exception of Ireland. Among those, Germany shows the highest positive association with market share. Industries exhibit diverse impacts, with industry 5960 exhibiting the greatest positive coefficient and industry 8999 exhibiting the greatest negative coefficient.

Finally model 8 incorporates additional acquisition experience, country and industry dummies, and captures the longitudinal dynamics of the data by focusing on the firm-specific differences over the years via the within-estimator. Once again the F statistic indicates a highly significant relationship between market share and the predictors (F(20, 483766) = 52110), with a p-value that suggests high statistical significance. The overall model is robust with an adjusted R^2 of 0.683, indicating that approximately 68.3% of the variability in market share is explained by the model variables. While there is a statistically significant negative association between additional acquisition experience and market share, Germany exhibits the most substantial positive effect among countries, followed by Spain and the United Kingdom. Similarly, Industry 5960 demonstrates the highest positive impact on market share, indicating a significant increase, while Industry 6719 shows no statistically significant effect.

H1 predicted that the acquisition of additional network effects through M&A would be positively associated with the performance of a platform business, as measured by sales growth and market share. The results of Table 6 provide support for this hypothesis: there is a statistically significant positive association between the measure of additional network effects adopted in this thesis and sales growth, one of this thesis' measures of platform performance. In contrast, the results of model 6, as presented in Table 7, demonstrate a different outcome. Market share, the other measure of platform performance displays a statistically significant negative association with additional network effects. The impact of both observed effects is also noteworthy. The marginal effect of additional network effects on sales growth in model 5 amounts to 0.003 units, while the marginal effect of additional network effects on market share in model 6 is only 0.001 units. Both effects are relatively modest.

H2 predicted that the acquisition of additional acquisition experience through M&A would be positively associated with the performance of a platform business, as measured by sales growth and market share. The results of model 7, as displayed in Table 6, provide support for this hypothesis: there is a statistically significant positive association between the measure of additional acquisition experience adopted in this thesis and sales growth. In contrast, the results of model 8, as displayed in Table 7, contradict H2 as they show a statistically significant negative impact of additional acquisition experience on market share. The magnitude of the effects is again relatively modest. For example the marginal effect of additional acquisition experience on sales growth is 0.035.

7 Conclusion

The findings of this thesis are inconclusive. The results of the linear regression analysis indicate that both hypotheses are contradicted when the non-significant results from models 1 and 3, which measure platform

	Dependent variable:	
	Market share	
	Model 6 (H1)	Model 8 (H2)
Additional network effects	-0.001^{***}	
	(0.00002)	
Additional acquisition experience		-0.022^{***}
		(0.0001)
France	0.174^{***}	0.209^{***}
	(0.003)	(0.003)
Germany	0.383^{***}	0.427^{***}
	(0.003)	(0.003)
Ireland	-0.191^{***}	-0.137^{***}
	(0.007)	(0.007)
Netherlands	0.148^{***}	0.130^{***}
	(0.003)	(0.003)
Poland	0.186^{***}	0.160^{***}
	(0.004)	(0.004)
Spain	0.172^{***}	0.251^{***}
	(0.005)	(0.005)
Sweden	0.168^{***}	0.165^{***}
	(0.003)	(0.003)
United Kingdom	0.205^{***}	0.191^{***}
	(0.003)	(0.003)
Industry 4121	0.402^{***}	0.317^{***}
	(0.005)	(0.005)
Industry 5960	0.691^{***}	0.659^{***}
	(0.002)	(0.002)
Industry 5961	0.057^{***}	0.088^{***}
	(0.002)	(0.002)
Industry 6021	0.029^{***}	0.076^{***}
	(0.003)	(0.003)
Industry 6719	-0.010^{**}	-0.004
	(0.005)	(0.005)
Industry 7370	-0.070^{***}	-0.130^{***}
	(0.002)	(0.002)
Industry 7374	0.186^{***}	0.163^{***}
	(0.002)	(0.002)
Industry 7375	0.662^{***}	0.645^{***}
	(0.003)	(0.003)
Industry 7379	0.017^{***}	-0.059^{***}
	(0.004)	(0.004)
Industry 7389	-0.175^{***}	-0.197^{***}
	(0.002)	(0.002)
Industry 8999	-0.189^{***}	-0.254^{***}
	(0.003)	(0.003)
Observations	441,036	483,804
R^2	0.685	0.683
Adjusted R^2	0.685	0.683
F Statistic	$47{,}976.910^{***}$ (df = 20; 440998)	$52{,}110.310^{***}$ (df = 20; 483766)
Note:		*p<0.1; **p<0.05; ***p<0.01

Table 7: Panel data model 6 & 8

performance in terms of sales growth, are excluded. The panel data results yielded mixed outcomes, with the rejection of both hypotheses in the case of measuring platform performance through market share and the approval of the same hypotheses in the case of measuring platform performance through sales growth. This is consistent with the mixed findings observed in previous studies on M&A performance. One way to explain the findings, which are in part contradictory to theory, could be that the companies don't have the ability to integrate the acquired companies effectively into their organisation. Section 2.2.2 also considers a number of other potential explanations for the observed outcomes, including a lack of focus on innovation, managerial hubris, or agency problems.

This thesis is subject to a number of limitations, which also present opportunities for future research. Some of these have already been discussed in the methodology section. A comprehensive review of the literature on these topics revealed that neither field had evolved sufficiently to arrive at a consensus on a measuring system of performance. This is particularly the case for businesses operating under a platform business model, as numerous scholars have warned against the use of traditional methods of antitrust enforcement. (Motta and Peitz, 2021; Parker et al., 2021; Stigler Committee on Digital Platforms, 2019) These traditional methods are not up to date in terms of notification thresholds, burden of proof directionality, ex ante regulation, and methodologies for assessment. (Motta and Peitz, 2021; Parker et al., 2021; Stigler Committee on Digital Platforms, 2019) This once more demonstrates the necessity for different approaches to be taken in assessing platform businesses. If even the existing literature on these topics is inconclusive, it is difficult to see how official antitrust authorities can be expected to protect competition from monopolies, cartels, and other forms of anti-competitive behaviour. There is a urgent need for future research to develop methodologies and frameworks of assessing platform performance, M&A performance and platform M&A performance. The multifaceted nature of M&A performance, especially platform M&A performance, is a construct that cannot be captured by a single factor. (Zollo and Meier, 2008) This thesis therefore sought to capture platform performance through two factors. Future research could adopt an even more holistic approach. Another limitation was that platform interaction data, which could have been crucial to the specific case of platform M&A research, was either locked behind paywalls or stored in proprietary databases. Such data is also not typically recorded in databases, and thus obtaining access to it would have largely exceeded the scope of this thesis. This is analogous to the information asymmetry that exists in digital markets. Further research could also examine the potential for alternative accurate proxy measures of platform interaction.

Despite the inconclusive findings, this thesis demonstrates the intricacies of platform M&A performance assessment and emphasises the necessity for refined methodologies to capture the multifaceted nature of these endeavours. As digital markets and the digital environment continue to evolve, the necessity for innovative approaches to antitrust enforcement and performance evaluation becomes increasingly apparent. In order to navigate these complexities, ongoing research efforts are imperative in order to develop comprehensive frameworks that effectively address the unique challenges posed by platform M&A in the digital era.

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Appendix A: Questionnaire

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3. Can you describe the geographic scope of the company's operations?
4. How long have you worked at this company?
5. How long have you worked in this specific position?
6. Have you been involved in the recent merger and acquisition activities of your company?

6.1. How much have you been involved in those activities?

7. How do you describe the business model of your company?
8. What is the comparative advantage of this business model from your perspective?
9. What motivation did your company have for its recent M&A activity?
10. Why did your company choose European or non-European companies for your recent M&A activity?
11. What are the biggest challenges you & your company face while conducting M&A activities
12. On a scale of 1 to 5 with 1 being not important at all and 5 being very important:

    How important would you rate the regulatory environment for the M&A activities of your company and why?

13. What factors do you think are most important for a successful post-M&A integration for a platform business?
14. Do you evaluate your company's performance based on usage/engagement metrics or based on revenue metrics?

14.1. Could you elaborate on that a little bit? /
How do you evaluate the usage/engagement metrics? /
How do you evaluate the revenue? /
Can you give me some examples?

Appendix B: Transcription A

Interviewer: Ok, I would like to start with some questions on your company [company name] and your position in the company.

Interviewee A: Sure.

Interviewer: What is [company name]'s field of business? How would you describe it?

Interviewee A: I think we would say [company name] is a [incomprehensible; possibly retro]-tech-platform, that, I think, started selling products via the internet long time ago – 20 years ago – and that has expanded its services not only through selling products but also selling logistical services and selling advertising services. And advertising services, the products and logistical services are very conplementary business models. Together you create a very strong platform for customers and partners in the Netherlands and Belgium.

Interviewer: Ah, ok that's interesting. Thank you. Who would you say the companies primary clients and customer segments are?

Interviewee A: Well we have almost every household buying with us. And as you can maybe see on the internet we have 50,000 plus partners who are doing business via us. So in terms of segments I think we sell to every one - in terms of customers. And in terms of partners I think we are a platform for many smaller and bigger and also very large companies who want to reach those customers in the Netherlands and Belgium.

Interviewer: Ok, thank you. And can you describe the geographic scope of the companies operations? You said already that you are based obviously in the Netherlands but do you also sell internationally?

Interviewee A: Well we are based in the Netherlands and we sell to Belgium and Dutch consumers.

Interviewer: Mhm, thank you.

Interviewee A: So we do not sell outside those two markets.

Interviewer: Ok, thank you very much. Now I would go a little bit more onto your person and maybe your position in the company.

Interviewee A: Sure.

Interviewer: How long have you worked at the company?

Interviewee A: 7 years.

Interviewer: And in this specific position?

Interviewee A: 7 years.

Interviewer: Also 7 years, ok. And have you been involved in the recent merger and acquisition activities of your company?

Interviewee A: Well, how much…I would say, whats a good answer, enough I would say. I mean the due diligence that's being done is typically done by teams and specialists in the organisation internal and external. But in the end the decisions are being made at the executive level right so…

Interviewer: Yeah.

Interviewee A: If you wanna make a good decision you need to be properly involved that you understand what you are signing up to buy.

Interviewer: Of course, yeah. So you have been involved in the decision phase, I would say, right? Is that correct?

Interviewee A: Yeah. I think that’s a good, yeah, if you wanna summarize it, I would say yeah, that’s a good summary. So in the decision making I have been intimately involved.

Interviewer: Ok, thank you very much. You said already a little bit in the start when you talked about the company: How would you describe the business model of your company?

Interviewee A: Well…Well, well, I think - good question. I think when we talk about the business model we always talk about the flywheel. And the flywheel…

Interviewer: Sorry, I didn’t understand that.

Interviewee A: We talk about the flywheel. You know what a flywheel is?

Interviewer: Uhm, no.

Interviewee A: Yeah, so imagine a flywheel as something like a wheel, something round. Like…

Interviewer: Yeah.

Interviewee A: And you can sort of give a push to the flywheel but then most wheels over time they stop going around …

Interviewer: Ah, ok.

Interviewee A: so they slow down. But a flywheel has the opposite. A flywheel is something that if you give it a push, and if it’s a proper flywheel, then the flywheel generates itself speed and it goes faster and faster.

Interviewer: Ah, ok.

Interviewee A: So, I mean, you are presumably of a relatively young age, compared to my age. So you’re familiar with platforms and platforms are the ultimate flywheel, right, because …

Interviewer: Yes.

Interviewee A: …if you have consumers then that’s a good place for every partner or every other company wants to be there because that’s where the consumers are.

Interviewer: Yes.

Interviewee A: But if you have more partners joining or more companies joining you create a more richer assortment and it creates a better price. And that attracts more customers. And more customers attracts more partners. So it keeps on spinning around and around and ultimately platforms are so powerful because of the flywheel.

Interviewer: Yes.

Interviewee A: If they are really gaining speed, they are very hard to beat.

Interviewer: Thank you very much. I think that's a very good description of how platform companies in specific act and how they generate value and profit. What do you think – I mean you said already a little bit already about it this - but what is the comparative advantage of this business model you think, from your perspective?

Interviewee A: Then you have to define against whom. So you compare it against whom?

Interviewer: Against your competitors and your other companies in that business field I would say.

Interviewee A: Yeah so I guess you do have two types of competitors. You have competitors who are in the same area of product that they sell - so they sell the same product as you do - but are not a platform. So then you talk about brick and mortar companies.

Interviewer: Ya.

Interviewee A: And obviously the example there is that we have a much bigger [incomprehensible, @ 8;07 possibly so-called, socle]. We have a [incomprehensiblie, possibly longpill] and you can find anything with us and you need to go to a lot of different stores. It's much easier to find because you only have one job, it's delivered at home, so the ultimate convenience. There are many examples why online companies are more interesting and why people are getting used to buying online instead of offline. So those advantages are straightforward. And then you have, what's your comparative advantage over other companies that are also online companies. And then the most important competitor is of course amazon.

Interviewer: Yes.

Interviewee A: Right, because amazon is very similar to our company. All other online-companies in the Netherlands and in Belgium, they are more focused on one category. So for example you may have, I mean you are in Austria if I'm not mistaken?

Interviewer: Yes, I am based in Vienna right now, yes.

Interviewee A: Yeah. So I guess you are familiar with Metro or Media markt?

Interviewer: Yes, of course, yes.

Interviewee A: So they offer online products. But they are just one category: electronics.

Interviewer: Yeah, exactly.

Interviewee A: And Zalando is just: fashion. So I guess the benefit of a company like amazon or [company name] is that they have a whole range of products. So you have a one-stop-shopping that you can do. So…

Interviewer: Thank you. Ya.

Interviewee A: So comparative advantage versus brick and mortar - clear. I think comparative advantage versus the other online companies that are more specialized - also clear. And then you have the difficult one which is how do you compare versus amazon. And that is obviously a very tough competitor where I don't want to talk too much about amazon.

Interviewer: Ok.

Interviewee A: Because that's, you know, a little bit confidential improv.

Interviewer: That's completely ok. Thank you. Thank you for that answer already. That's very insightful. What motivation would you say did your company have for its recent M&A activity.

Interviewee A: Sustainability.

Interviewer: No, sorry. For the recent M&A activity, for the merger and acquisition activity.

Interviewee A: Yeah I understood that aswell. The answer would be sustainability.

Interviewer: Ah, ok ok. Ok, thank you.

Interviewee A: So the company we have acquired it's the largest or whatever cycle. It's offering [incomprehensible] and distribution services in a sustainable i.e. green way. So obviously if you are in the business that we are in then everybody, we use a lot of carriers, vans, that bring the products to our customers and typically these vans run on fossil fuel and that's not good for the environment. So we wanna be a environmentally friendly company but the national distribution and carriers in our geography, they don't offer green alternatives. So one of the reasons for acquiring this company is because it allows us to bring these products to the consumers in a green or environmentally very friendly way. And sustainability is part of our purpose, so this acquisition brings us closer to our purpose, our company purpose.

Interviewer: I understand. And why did your company choose this specific European company? I mean you said already that it's closely related to your market, right?

Interviewee A: Ya, it's in our market. So it's located and providing its services in the Netherlands.

Interviewer: Ok. Did you also have cases of recent acquisitions of non-European companies.

Interviewee A: No, they would probably not make much sense given that we play specifically in these two markets.

Interviewer: Ok, thank you. What are the biggest challenges you and the company face while conducting M&A activities?

Interviewee A: Hm, biggest challenges?

Interviewer: Mhm.

Interviewee A: I think the biggest challenge would be in what we think a affordable price, what we think a right price needs to be. So that sounds like – of course – but there's a bit of context to it. So I think, I mean, we look back on an very strong growth of the online market and two specific years i.e. the gulf years where the market exploded. So distribution services because of the online market exploding, the request or the need for distribution and last mile services also exploded. So when you're trying to buy a company in a market that is hot, then there are a lot of other people who would just not really mind to pay a huge price because they think it will pay out.

Interviewer: Yes.

Interviewee A: If that makes sense. So…

Interviewer: Yes, yes.

Interviewee A: … in that market, that was sort of overheated, you need to stay, yeah, a little bit calm that you don't take any decision that in the end will destroy value because you have paid too much. And at the time there was a lot of cheap capital available. So there are a lot of start-ups or new companies that could easily acquire a lot of money. And therefore, you know, we're [incomprehensible] to pay too high prices.

Interviewer: Can you think of any other challenges? This being more maybe into the due diligence phase that you just mentioned?

Interviewee A: No. No, I think, I mean we've had tough due diligences, so, complicated due diligences but typically you can hire the right expertise to do that.

Interviewer: Right. Okay. On a scale …

Interviewee A: I guess …

Interviewer: Sorry, ya?

Interviewee A: I guess the other example I could think of is: typically these companies are [incomprehensible, maybe scale-ops] and then the quality, the governance, the systems, the processes in these companies …

Interviewer: Ya.

Interviewee A: … are not necessarily up to standard. And, I mean, you acquired them because they have a certain skill in which they have proven but when you buy them you have big plans for them. But you still wanna level to the existing management because they have the expertise. And therefore the existing management needs to be also capable, you know, to deliver up on that next 4, 5 years typically. That you do still have a role for them and you wanna give them a lot of extra volume but the necessary systems and the capabilities and the leadership is typically not up to standards. So there's a general challenge, I think, is: how do you deal with the fact that the capabilities are always inferior versus what you have in your own company. And how do you keep them on the one hand agile because you don't want to overload them with too much burden. But on the other, when you acquire them, they become part of you and they need to make the same standards as you because you are responsible for them.

Interviewer: That's …

Interviewee A: And that balance between agility and entrepreneurship versus professional I think is also turning out to be a difficult balance. Does that make sense?

Interviewer: Yeah. Yeah, yeah definitely.

Interviewee A: I mean does it [incomprehensible, maybe satiate] it?

Interviewer: No, no. For sure, for sure. That made perfect sense and my next two questions are in that direction actually. And starting with the first one maybe: One a scale of one to five with 1 not being important at all and 5 being very important. How important would you rate the regulatory environment for the M&A activities of your company and why?

Interviewee A: I would say a 2. I can't remember that in the acquisitions that we have looked at we were hampered by the regulations.

Interviewer: And what factors do you think are most important for a successful post-M&A integration for a platform business?

Interviewee A: That's a good question. What factors are most important for a successful …

Interviewer: … post …

Interviewee A: post-M&A integration?

Interviewer: Ya. For a platform business like yours.

Interviewee A: Well, I guess the answer would be in our case, it would be, volume growth.

Interviewer: Volume growth.

Interviewee A: Yeah. And the context behind it is that in the business that we're in you typically acquire a company because a company – so – these companies that we look at may be small companies. Now if you envision a cost curve as a - I don't know what's the word in English – in mathematics classes if you envision an X- and an Y-axis then you have a – I don't know the right word in English – but imagine a curve that starts very close to the high up on the Y-axis and that curve goes down to very low on the Y but very high on the X-axis. I think it's called – in Dutch we would say it's an asymptoot -…

Interviewer: Ok, ya.

Interviewee A: … but it's meaning to say it's a cost curve that if you move a little bit off the cost-curve you immediately, if you do a little bit more volume, your cost per item goes down dramatically. But over time if you do a lot of volume you're much lower on the cost curve. But then you need to do an awful lot more if you are already in a good position to even go down more in cost because you need to move all the way on the volume to the right. I don't know if you can follow me.

Interviewer: Ya, I can follow you. I understand. Yeah.

Interviewee A: Yeah? So, one of the synergies in buying a company is because if you combine their volume and your volume then you can give them much more volume and that volume allows you to go down on the cost curves. So, a lot of the synergies are based upon an ability that true volume, you can get a better position on the cost curve. But you need to have volume for that. So if you are in a world where the volume is no longer for granted then the synergies that you have included in your acquisition case are no longer delivered. And then, you mean, you can integrate a company, but the value may no longer be there. And then maybe it's not so much about challenge to the integration but it's more a challenge that you made the right decision. Does that make sense to you? Is that what you were looking for or were you looking for a different answer?

Interviewer: I am not looking for an specific answer. I am just asking the question. What I was thinking of more of going into was, like, the integration – of how the company that you acquire is integrated into your overall business.

Interviewee A: Yeah, I don't think I have much experience on that area because we have decided to leave the companies fairly standalone.

Interviewer: Ok. I mean that's …

Interviewee A: For that reason, right? I mean, I guess in our case we decided that the companies - we should not burden the scale-up with all of the systems and the processes that belong to a much bigger company.

Interviewer: Ok, yeah. I understand. I have one more question if that's alright with you. I think we are a little bit over the estimated time that I told you. Would you be up for it?

Interviewee A: Sure. Ya, go.

Interviewer: Ok. So do you evaluate your companies performance based on usage or engagement metrics or based on revenue metrics?

Interviewee A: The company that we have acquired?

Interviewer: Ah, no, no. [Company name], your platforms performance.

Interviewee A: I think we would evaluate it on whether we are winning in the market, typically defining the market share, revenue growth and value creation, which typically includes a profit metric or EVDA metric and a return on capital employed metric.

Interviewer: Ok that sounds more like the revenue metrics I would say. Would you agree to that?

Interviewee A: I think it's more comprehensive than just a revenue metric because we create a value metric in it, we have a valuation metric in it. What do you mean by usage metrics?

Interviewer: Like measures that track how people use the platform. They can be, like, key indicators for customer engagement or satisfaction. I could name some examples if you want.

Interviewee A: No, no, no. It's fine. I think they would look them as health metrics or …

Interviewer: Help or health?

Interviewee A: … leading metrics. Health. So Gesundheit, health metrics or leading KPIs but in the end if you look at, you know, how do we talk about success of the company. Have we met our target? Then those targets are share revenue and value based metrics.

Interviewer: Thank you. I think that's it, that was very insightful and that would …

Interviewee A: How did you end up with [company name]?

Interviewer: Quite extensive and long research on multiple European countries and [company name] was one that I found, I think, through that search. But I also, like, read a lot of literature and maybe also on one of the literature that I read it was mentioned. I am not sure any more though. It's some time back.

Interviewee A: So what will happen now?

Interviewer: So this was basically a pre-interview for making hypotheses and the variables that I use in my research more precise I would say. I would analyse the interviews that I have and will do and try to enrichen my variables that I have derived from the literature with the interview results. And after that I will conclude a quantitative analysis of M&A deals in Europe, probably over the last 20 years or something. That will then hopefully, like, give me results that can maybe give out some recommendations for European platform businesses – that would be the ideal case.

Interviewee A: Ok, alright.

Interviewer: I would stop the recording now, if that's ok.

Interviewee A: Ya.

Appendix C: Transcription B

Interviewee B: Go ahead.

Interviewer: Ok. I would like to start with some questions on your company [company name] and your position in the company. First question would be: What is [company name]s field of business?

Interviewee B: Ya. So [company name] is a, you can call it, tech-company within the hair- and beauty-industry. It's quite specific when it comes to consumer-facing industry because we are working very closely with not only salons for hair and, ya, beauticians, let's call it this way, that would be also spa salons or masseuse salons – you will also have those – but we also work with the customers of those. So, I wouldn't call it very unique but still quite unique approach is that we cover both sides which is support given to salons and support given to customers of those salons. So we have marketplace for the customers of salons where you perform the booking – that could be through app or website – and on the other leg of our business we have SaaS, which is the software that we provide to salons to manage their agendas, to manage their daily activities whether this is booking, you know, so to ensure that the calendar is up to date, or also we provide PoS solutions to them so they can have a cash register managed whenever this is required from them. And last but not least we also have an option of stock management. And when I talk about stock management this is actually the stock that salons would have of – for instance – beauty products, shampoos, colorants, nail polish, whatever, you name it. These are actually the key activities of [company name] as such.

Interviewer: Ok, thank you. You touched it earlier a little bit with the first question but: Who would you say are the companys are the primary clients and or customer segments?

Interviewee B: So primary would be still salons. So all those companies like small boutique salons or bigger chains that would purchase our SAS. Because at the end marketplace is a platform that enables customers of those salons to do the booking. We will participate in that process, but you can say that we are intermediary in that space. These are not our customers. So let's say you want to take the haircut or you want to have your beard trimmed: It's not the contract with [company name]. [Company name] enables you to purchase that service from particular salon. So…

Interviewer: Right.

Interviewee B: … the contract will be between you and the salon. And we will enable the execution of that contract. In terms of booking and later on ensuring that you go for the meeting because we will send you a reminder: Please don't forget, your beard needs to be trimmed. So that's what we will do.

Interviewer: Ok, thank you. Can you describe the geographic scope of the companys operations?

Interviewee B: Absolutely. So we are present in 13 countries for now. We still talk about ourselves Northern Europe, Southern Europe, that's only because of the fact that there are different characteristics of customers and consumers, let's say clients – this is the salon, customers is a version that goes to the salon. And from that perspective we have UK 9 – this is actually the biggest geography for us – then we have DACH, which means Germany, Austria and Switzerland, we have Lithuania, we have Netherlands and Belgium and then on the borders of being Northern Europe or

Southern Europe is France. And then we start talking about Spain, Portugal, Italy, Greece. So these are the countries that we cover.

Interviewer: So mostly European, definitely, you would say?

Interviewee B: Yes. I would say not even Central Europe as you can hear.

Interviewer: Yeah.

Interviewee B: Mostly western, southern part of Europe.

Interviewer: Ok. And how long have you worked at the company.

Interviewee B: So for me it's more than 1.5 years at this moment as a CFO of [company name].

Interviewer: And in this specific position? How long …

Interviewee B: This is actually …

Interviewer: … have you been there?

Interviewee B: That's the one.

Interviewer: Ok.

Interviewee B: Well my role is expanding in terms of the responsibilities. I joined as a CFO and was responsible originally only for finance. Then legal department was given to me, then the strategy and analytics and very recently central people operations as well as procurement. So it's quite broad responsibility but very interesting exposure.

Interviewer: Ok. And have you been involved in the recent merger and acquisition activities of the company?

Interviewee B: Absolutely. So the one which is publicly known, [acquired company], that's actually one of the deals that I have done. And also from the perspective of legal mergers we have merged in Italy, in Spain and in France we have merged in total 4 companies. There were mostly on the legal side, but you can imagine that it also has implications from the operational perspective. We have performed the merger for two legal entities per country to create one.

Interviewer: Ok. And you said already you had done those mergers or acquisitions and how would you describe the involvement in these mergers and acquisitions?

Interviewee B: Ya. Well from the acquisition perspective we have a quite hands on approach, for the acquisition, which means the whole financial, legal, commercial due diligence was performed in house. We did have the support from the external council but more on the side of the legal aspects. Just to ensure that we comply with local regulations when it comes to acquisition and post-acquisition requirements. It was also collaboration with external support when it comes to taxation and accounting because again this are jurisdictions where we do not have talent, which would perform this in-house, that's why we have outsourced, but the process of due diligence, of negotiations these are the activities which are performed in-house which means I was directly involved in it.

Interviewer: Right. Ok. Thank you.

Interviewee B: Ya.

Interviewer: How would you describe the business model of the company [company name]?

Interviewee B: Business model in a sense what is our revenue stream or business model in a sense how we operate internally?

Interviewer: Like how you intend to generate revenue and make profit …

Interviewee B: Ya.

Interviewer: like how the key elements of the company are, you know, aligned.

Interviewee B: So I think that we go back to what I described at the very beginning. When it comes to the business model: we are acquiring salons. These are our direct clients, right. So these are the ones that are going to purchase SaaS from our side. And the platform that we have, marketplace, is for our customers of those salons. From that perspective we consolidate these two. So we heavily rely on good supply, and when I say good supply these are the salons that we will work with, because by having a good supply those will be our advocates when it comes to the marketplace. Because what is also helping to them that to manage their agenda it's better for the customer to do their booking via app or via online then call them and try to ask them: "Please put me into your agenda". Because that takes time. They don't need to actually spend time on doing the booking the moment that the customer of theirs is going to use an app or is going to use a website. So we heavily rely on those salons but when it comes to the revenue stream, still, what you can read in our financial statements, you will find out that marketplace is the vast majority of revenue that we have. And this is not going to change for another several years. Why? Because at the end the supply, which are the number of salons is comparing to the marketplace limited when it comes to the potential revenue because at the end money sits with the customers of those. Not with the salon. Salon will not be able to pay thousands per month when it comes to the software fees, right? These are small companies very often these are maximum 2 people in the whole organisation with maybe additional support from the perspective of hairdressers and that's it. So the money actually is flowing through marketplace. So that's why we rely, our revenue stream is majority coming from the marketplace perspective, right. So that's on the revenue, let's say generation, and naturally what we are trying to do, we are trying to consolidate activities on the group level, unify them. When I say on the group level it doesn't mean that it will be sitting in one place but it will be orchestrated, and managed later on, on the group level. So, for instance, when it comes to the operations and how our customer service will operate, it will be unified way for every country. Why? Because this is the economy of scale. We don't need to have the dedicated single processes, for instance managing with customers of salons for each country in a different way. We will have it in one way.

Interviewer: Ya.

Interviewee B: And that gives us opportunity to, of course, to cut down costs. The same applies towards technology and product itself. We want to centralize those, because it is not like a country like Italy will have a instance of SaaS and Lithuania will have another instance. It's not scalable. We unify and we roll out on the group level. From that perspective we manage to cut the costs down, right. Because at the end your PNL would be the composition of revenue and cost that you have. To limit the cost, we need to unify the business as much as possible, centralize the processes and follow the common route.

Interviewer: Ya. Ok. Thank you. What would you say is the comparative advantage of this business model from your perspective?

Interviewee B: I think that agility of the business. You still not being a listed company or being very close to the IPO process gives the company the competitive advantage when it comes to reaction to the market conditions changes. What I mean by that: let's say here comes the recession, as we are experiencing these days, we can react in a sense of or redirecting the focus from the revenue perspective to see what is the ailing point and how to address it from one day to another. We don't need to have multiple layers of approval from different people, as you have in a big organization. That gives you the advantage towards bigger companies and at the same time, let's be honest, when it comes to any potential structuring the execution of such is easier to be done when you are of our scale and not like a humongous multinationals. So that's the competitive advantage. And now, probably, you should look from the product perspective: Where's the competitive advantage? Here consolidation of two services provided, that's something which will be beneficial for our salons comparing to, for instance, other companies that only provide SaaS as a solution. So in UK you have, I don't know, probably the most popular one will be Phorest. It's the company that also provides SaaS to salons, but they do not have marketplace, right. You also have companies such as Booksy or Fresha. They have more or less the same proposition, but the quality of supply, which are salons, is completely different. I would argue here that over there it's more about quantity instead of quality of those salons whilst we do strongly believe that actually quality of salons will drive unit economics for us. And that could be in a way that, ok, we focus only on hair & beauty, that's another competitive advantage, then, for instance, Fresha that covers multiple other segments of the industry and of the economy in general, which we would not even take into account. Like for instance, I don't know, the garages, the planning, let's say, software for garages in terms of their appointments. We will not cooperate with those because we know that, first of all, we don't have the expertise in that space, secondly unit economics of those are much, much lower.

Interviewer: And what motivation did your company have for the recent M&A activity?

Interviewee B: Ah. Yes. So it is about the market position. If you look into France it will be, again, public knowledge that consolidation of SaaS businesses had to happen. Why? Because there was one acquisition performed by Booksy, I believe the company that they acquired was called Kiute. And then there is one number one player called Planity, which has probably about say, well, more than a quarter of the market – more than a quarter. And then there was a company called [acquired company], the big players and, of course, us. So you're talking about 4, 5 players in the industry that covered almost the whole country. With Planity being number one by a mile, I can tell you, by a mile. So the first reason was to solidify our number two position in the country, to gain that speed, when it comes to catching up with Planity, because if, let's be honest, the moment you take out one competitor from the equation and you add that competitor to your business you are gaining that advantage. And we, as a company, believe that that particular acquisition is in line with both sides goals. So what [acquired company], as a company or as investors as well as the founders, they wanted to achieve was the common goal for us as well. Which is fight off Planity. And to be at some point in time number one player in France and beyond. Because what is also important is that Planity is expanding outside of France and that is another competitive thread that we see in the equation.

Interviewer: So that would also be, like, touching upon my next question: Why did you choose a European company? I think you answered it already because you said you want to gain more market share in the French market, right?

Interviewee B: Absolutely. That was the first reason. Second reason: we strongly believe that the offer that [acquired company] had as a SaaS is in line with what we offer. Which means that there was a cultural fit as well from the perspective of product but also cultural fit from the perspective of people. We are a young company. Our average age of people, I can say, probably somewhere between 20 and 30. [Acquired company] is the same, [Acquired company] is the same. It's Parisian business. Same as ours. And the combination of two was relatively easy. I can tell you that when it comes to people culture for me it was very smooth transition post-acquisition. Why? Because we are similar, we are similar. And that helped us integrate both teams relatively in a easy way.

Interviewer: But did you face any bigger challenges or what would you say are the biggest challenges your company face while conducting M&A activity?

Interviewee B: So in terms of the challenges, right? From the perspective …

Interviewer: Right.

Interviewee B: So the challenges with this particular acquisition, naturally the first challenge that you will always face is the price at which you are going to acquire the company because there's always the discussion seller-buyer. And let's be honest from the very beginning this are two different perceptions when it comes to objectives of both sides. Then it was also alignment when it comes to the future of the future that [acquired company] had. Because, let's be honest, you cannot go to the market with the same two value propositions. You need to align on that. Luckily, as I mentioned, not massive difference which means that whoever we went with, the product of [acquired company] or with the product of [company name], that didn't really matter because from the value proposition to the customer or client, in this case salon, more or less the same. So it was not a big challenge to decide. I think that another point which I would mention as a challenge but not only in our acquisition but long term in any of the acquisitions will be to have a long term buy-in from the existing employees. Because some of them will not really want to stay in the business and the moment that you decide to merge two companies then people will leave. So the challenge that we have faced is: How can we retain the top talent? And of course here you have different tools to do so. I don't know whether you have a question on that one later on but we can discuss as well.

Interviewer: I think it touches upon that but when you say the employees, you mean the employees of the acquired company, right?

Interviewee B: Yes of [acquired company]. Because, let's be honest, the moment that you're acquirer then it's easier because you kind of impose your structure, or you can impose your structure. What we did though, we have actually consolidated which means that we have utilized or we have used the moment to see what is the best of [company name] and what is the best of [acquired company] and combine it into one.

Interviewer: Yes.

Interviewee B: And that was a challenge and at the same time opportunity, I would say, right. Because you can see that the situation, of course you need to manage properly, from the people perspective I would call it then as a challenge but at the same time it's opportunity to actually improve your organisations after the merger. And at the end what you would like to achieve with the merger is that you have synergies, right. So normally 1 plus 1 should be more than 2, in this case, right. And that's …

Interviewer: Right.

Interviewee B: … that's also from the people perspective.

Interviewer: Actually before I touch upon that post-M&A integration I have one more question in between: On a scale of 1 to 5 with 1 not important at all and 5 being very important: How important would you rate the regulatory environment for the M&A activities of the company and why?

Interviewee B: Oh my, 4, at least 4. I want to say 5 but 5, it means that you will drive your M&A activity from the regulatory perspective, which is not true, it's more important what's the business decision, what's the business reason for the activity but it's very important to see what you can do how you can do, what you cannot do and very often, especially in France, it's quite complex regulatory area. That's why relying on the external support was crucial and I can see if I was to pay again, I would do it again, right.

Interviewer: Yes.

Interviewee B: Because I can see that especially post-merger there are so many activities that you need to do that potentially can hinder your business. I give you the example, if we do not take into account the taxation requirements or obligations post-merger, you may, for instance, loose your priorial losses which in start-up world it means millions. Milions of potential tax savings. So you need to really take into account regulatory landscape in that aspect. Another aspect will be the whole GDPR when it comes to, but this is more European, right, but as the example: you might have some country specific GDPR rules that you would need to take into account once performing the acquisition because maybe you cannot really utilize the data that the company has and, let's be honest, online businesses rely, the success of company business rely on data. So if you cannot utilize the data sometimes you need to ask yourself why you are acquiring the business. So, I think, 4 is a fair answer to your question.

Interviewer: Ok, thank you. Now onto the post-M&A integration question: What factors do you think are most important for a successful post-M&A integration for a platform business like [company name]?

Interviewee B: So for us it was retention of customers, when it comes to the [company name] side, right, because [company name] it's all about marketplace, and retention of clients, which are all the salons. And that was mostly on the site of [acquired company], because the acquisition did not affect salons so much of [company name] but it did affect the salons of [acquired company] because we decided that we will use the [company name] SaaS going forward. So the first of all is how do you address this potential churn and simply you do need to have a plan how you are going to tackle this; how you are going to ensure that you don't loose customers and you don't loose clients. So that was one. Another point, you know, the success story will be the moment that you have a proper plan behind people. I repeat this because online business rely heavily on teams. It's not about the product itself, because the product is developed by people. If you do not retain top talent within tech and product, you are going to loose the technology, which means: what are you going to sell? That's [incomprehensible]. And the second area of people is this sales department. You can have a brilliant product but if there is no one to sell it, you have a problem, right. So this was another planning of the people retention, right, not outside retention but internal retention. That's another factor that we had to take into account. And then, yeah, you already mentioned, when it comes to the strategy for the business, unified strategy is the key. So defining which product you are going to sell at what price, to what channels, which, actually, salons you are going to target. That was one of the few areas we had to define. And right now the execution of that strategy is happening. You say, ok, the acquisition happened end of April, so it's almost anniversary for us, but I can tell you there's still a lot of execution of the strategy that we put in place post-acquisition. So it is at least a year that you need to follow quite thoroughly the steps that you decided to take the moment that you decided about the acquisition. Naturally you need to be flexible because the external environment is changing. You cannot just stick to the plan only because of that this is the plan. You need to take into account flexibility and for instance answer to the recession that we have right now. No one planned for the recession in April 2022 …

Interviewer: Right.

Interviewee B: …right.

Interviewer: Right.

Interviewee B: So …

Interviewer: Thank you, thank you very much. There's one more question I have but I see we are already a little bit over the estimated time.

Interviewee B: [Incomprehensible].

Interviewer: I don't know if you wanna go for one more question or …

Interviewee B: No, go ahead.

Interviewer: [Incomprehensible].

Interviewee B: I still have a still a bit of time for you because I thought that we planned this for 1 hour but it's great to hear that it's not 1 hour.

Interviewer: No.

Interviewee B: I'm very happy because I need time. So please go ahead [interviewer name], over to you.

Interviewer: Ok so the last question: Do you evaluate your companies performance based on usage or engagement metrics or based on revenue metrics?

Interviewee B: It's a good question because it's a combination. We will cover both areas. I'll tell you why: revenue will be the very first point that I will be looking at, right, and how the revenue progresses but the quality of that revenue will be based on the first aspects that you have mentioned, right. Because you can see that revenue is growing but the question will be: does it grow properly in terms of per unit? So per unit economics, would that actually fit over there? And then you start digging into the details. So the first area that you ask will kick in. This is when you start assessing: Do we have a good quality of salons? Do we have a good quality of customers? When I talk about good quality it means salons will provide, sorry, will use our software this and that amount of time per day, right, per hairstylist as the example. Then if on the marketplace we will have per salon at least 35 bookings from marketplace, that will be another assessment. And which is, again, quantitative but it is one of the components of revenue but it's not that I'm only looking at revenue. I am looking at the components and how the quality of those components affect my revenue. So it's difficult to say one or another.

Interviewer: Ok.

Interviewee B: I think it will be a combination of it.

Interviewer: And could you, like, you already gave some examples, how would you evaluate for example more of the usage/engagement metrics? Do you have some examples on that?

Interviewee B: Yes. So, for instance, when we talk about marketplace, so the usage would be, what is the - we call it click-to-action, probably that you can also see this in other industries – is that: what would be the conversion going into a website or into an app up to the booking. So conversion that will be the efficiency of the app or of the online tool. Then you have, in general, usage as such: What is the percentage of app versus web? What is the percentage of online booking versus all the bookings? Because you still might have just you call the guy and the guy puts you directly into the calendar, right. And I can tell you even with our supply, so with all our salons, the online booking, which is what we want, because it's our tool at the end, it's less than 50 percent. I believe it's closer to 35 or 37 percent out of all the bookings, which means still more than 60 percent is performed by calling or simply walking into the salon, right, which means that the usage of the app or of the website is still not there, that we want to have, right. And then I did mention to you already how much the hairstylists are using our SaaS. So we have a metrics which actually measures the number of direct bookings, which means that, ok, here comes the client, sorry, customer, they want to have a beard cut: how many of those come to one stylist within a month. And we say that anything which is above I believe 35 or 40 bookings like that per one stylist that would mean that this is actually a proper usage of the system. And we talk about direct bookings here because from that app perspective it's not that they are using the system, because the marketplace does the work for them. So it's not really using the system. Using the system is will be into it, making the booking, ensuring that it's in the calendar and later on of course executing the service. So it's another area that we measure from the usage perspective.

Interviewer: Ok. And do you have maybe some, or maybe also because you said it's a combination, have you also some examples for the revenue metrics that you measure?

Interviewee B: Ya. And I think that within marketplace as well as SaaS businesses on the marketplace majority of what the companies will be looking at what is so called take-rates. So what is the percentage of revenue versus the full value of the transaction. So that's one that we would be measuring. Why? Because it's like what is the part of the pie that we are taking when it comes to the transaction that goes to the salon. That's one. Then we would be checking what is the average order value because naturally the higher that metric the better for us because even if we fix the percentage of that pie absolute number will be better, right.

Interviewer: Right.

Interviewee B: So that is something that we would assess as well. And these are like just two when it comes to marketplace. You also talk about SaaS metrics and here, probably, you would be aware of the monthly recurring revenue because this is something, what it's quite typically for SaaS companies to measure. Annual recurring revenue. So this is something the moment that you, especially when you have the business model that there are some payments up front for the whole year. That's even more relevant to measure than MRR because MRR will be simply if your model is that on monthly basis you can come you can go as a potential client of ours. Then naturally MRR is more relevant than ARR. However these are two metrics that we will be looking at. Then you would be looking into the revenue churn. So it means that if you loose a salon, how much revenue you lost at the same time, right. And then there's a percentage of it that we would be looking at what is, I would call it, a healthy level. So in general the healthy level would be somewhere around 1.5 percent maybe per month. How much you can loose your revenue or your supply if you talk about volume. Anything above means that actually you need to acquire more and more and hence you are going to affect the cost of acquisition of your customers. So called CAC, right.

Interviewer: Right.

Interviewee B: So on the revenue we also look into lifetime value of our salons. So when you know what your ARR is you can also estimate what will be the lifetime value the moment you know what is the churn of the business. Because then you can calculate that that particular salon will stay with you for 3 years on average or for 5 years on average depending on the churn level. And that helps you of course to assess do you really need to right now focus on cost reduction because simply your supply is turning over too often, yeah.

Interviewer: Ok. I think that concludes the interview from my side. Thank you very much again. I have no more questions left. That was very, very nice. Thank you.

Interviewee B: Thank you.

Interviewer: I think we only have 2 more minutes anyways …

Interviewee B: Yes.

Interviewer: … until the meeting stops …

Interviewee B: Ya …

Interviewer: from Zooms side and I would stop the recording now if that's ok with you.

Interviewee B: It's alright. Ya that's fine.

Appendix D: Codesystem

Codebook

Qualitative Analysis of the interviews.mx22

22.03.2023

Code System

1 The companies field of business	2
1.1 Tech-Company	2
1.2 E-commerce	1
1.3 Logistics sales	1
1.4 Advertising sales	1
1.5 Platform	1
1.6 Hair & beauty industry	1
1.7 Marketplace	1
1.8 SaaS for salons	1
1.8.1 Booking	1
1.8.2 PoS solutions	1
1.8.3 Stock management	1
2 Primary clients and customer segments	3
2.1 Customers segments	1
2.1.1 majority of households / everyone	2
2.2 Primary clients	1
2.2.1 Partners	1
2.2.2 Salons	1
2.3 Intermediary between clients and customers of those clients	1
3 Geographic scope of the companys operations	5
3.1 (Parts of) Europe	5
4 Company work experience	2
4.1 Experienced (5-10 years)	1
4.2 Entry level (0-2 years)	1
5 Position-specific company work experience	5
5.1 Experienced (5-10 years)	1
5.2 Entry level (0-2 years)	1
6 Level of involvement in M&A activities of the company	5
6.1 Due diligence execution by others	1
6.2 Due diligence execution in-house	2
6.3 Direct involvement in due diligence stage	4
6.4 External council & collaboration on legal aspects	1
7 Business model of the company	10
7.1 Platform business model	4
7.1.1 Network effects / demand-side economies of scale	8

7.1.2 Dominance of platform business model	1
7.1.3 Subscription fees (SaaS for clients)	2
7.2 Vertical integration	1
8 Comparative advantage of described business model	8
8.1 Larger selection of products	2
8.2 Convenience	1
8.3 Larger range of products	1
8.4 One-stop-shopping	1
8.5 Agility	1
8.6 Consolidation of services provided	1
8.7 Quality of clients	1
8.8 Focus on one industry	1
9 Motivation for recent M&A	4
9.1 Sustainability (agency motives: bandwagon effect)	3
9.2 Exploitation of synergies	4
9.2.1 Utilize data	1
9.3 Market position / consolidation	2
9.3.1 Fight off number 1 competitor	2
9.3.2 Overtake number 1 spot at some point	1
10 Reasons for EU-/non-EU-based M&A	2
10.1 Offering attractive service that aligns with company strategy	1
10.2 Operating in the same market	1
10.3 Non-EU-based M&A not considered	1
11 M&A challenges	10
11.1 Finding the right price	4
11.2 Correct evaluation of the market/industry	1
11.3 Taking external environment into account	2
11.4 DIfficult integration phase; keyword balance	1
11.5 Alignment of value propositions	1
11.6 Employee retention	1
11.7 Consolidation of assets	1
12 Importance of regulatory environment for M&A	3
12.1 2 - not really important	1
12.2 4 - pretty important	3
13 Factors for successful post-M&A integration	7
13.1 Volume growth	1
13.2 Similarity	1
13.3 Retention of customers	1

1 The companies field of business

1.1 Tech-Company

1.2 E-commerce

1.3 Logistics sales

1.4 Advertising sales

1.5 Platform

1.6 Hair & beauty industry

1.7 Marketplace

1.8 SaaS for salons

1.8.1 Booking

1.8.2 PoS solutions

1.8.3 Stock management

2 Primary clients and customer segments

2.1 Customers segments

2.1.1 majority of households / everyone

2.2 Primary clients

2.2.1 Partners

2.2.2 Salons

2.3 Intermediary between clients and customers of those clients

3 Geographic scope of the companys operations

3.1 (Parts of) Europe

4 Company work experience

4.1 Experienced (5-10 years)

4.2 Entry level (0-2 years)

5 Position-specific company work experience

5.1 Experienced (5-10 years)

5.2 Entry level (0-2 years)

6 Level of involvement in M&A activities of the company

6.1 Due diligence execution by others

6.2 Due diligence execution in-house

6.3 Direct involvement in due diligence stage

6.4 External council & collaboration on legal aspects

7 Business model of the company

7.1 Platform business model

7.1.1 Network effects / demand-side economies of scale

7.1.2 Dominance of platform business model

7.1.3 Subscription fees (SaaS for clients)

7.2 Vertical integration

8 Comparative advantage of described business model

8.1 Larger selection of products

8.2 Convenience

8.3 Larger range of products

8.4 One-stop-shopping

8.5 Agility

8.6 Consolidation of services provided

8.7 Quality of clients

8.8 Focus on one industry

9 Motivation for recent M&A

9.1 Sustainability (agency motives: bandwagon effect)

9.2 Exploitation of synergies

9.2.1 Utilize data

9.3 Market position / consolidation

9.3.1 Fight off number 1 competitor

9.3.2 Overtake number 1 spot at some point

10 Reasons for EU-/non-EU-based M&A

10.1 Offering attractive service that aligns with company strategy

10.2 Operating in the same market

10.3 Non-EU-based M&A not considered

11 M&A challenges

11.1 Finding the right price

11.2 Correct evaluation of the market/industry

11.3 Taking external environment into account

11.4 DIfficult integration phase; keyword balance

11.5 Alignment of value propositions

11.6 Employee retention

11.7 Consolidation of assets

12 Importance of regulatory environment for M&A

12.1 2 - not really important

12.2 4 - pretty important

13 Factors for successful post-M&A integration

13.1 Volume growth

13.2 Similarity

13.3 Retention of customers

13.4 Employee retention

13.5 Unified strategy

13.6 Post-M&A integration execution

13.7 Flexibility

14 Performance evaluation

14.1 Winning in the market

14.1.1 Market share

14.1.2 Revenue growth

14.1.3 Value creation

14.1.3.1 Profit / EVDA metric

14.1.3.2 ROCE metric

14.2 Usage/engagement metrics

14.2.1 Conversion rate up to booking / efficiency

14.2.2 Usage of the platform

14.2.2.1 Percentage of app vs. web

14.2.2.2 Percentage of online vs. all bookings

14.2.3 Usage of the software

14.3 Quality of revenue

14.3.1 Per unit growth

14.3.2 Quality of clients

14.3.3 Absolute of bookings over platform

14.4 Revenue metrics

14.4.1 Take rate Percentage

14.4.2 Avg. order value

14.4.3 Monthly recurring revenue

14.4.4 Annual recurring revenue

14.4.5 Revenue churn

14.4.6 Lifetime value

Appendix E: Reports of coded segments

Summaries with Coded Segments - Qualitative Analysis of the interviews.mx22

Code	Coded segments	Summary
The companies field of business	I think we would say [company name] is a [incomprehensible; possibly retro?]-tech-platform, that, I think, started selling products via the internet long time ago – 20 years ago – and that has expanded its services not only through selling products but also selling logistical services and selling advertising services. And advertising services, the products and logistical services are very complementary business models. Together you create a very strong platform for customers and partners in the Netherlands and Belgium. Transcription A: 4 - 4 (0)	
	So [company name] is a, you can call it, tech-company within the hair- and beauty-industry. It’s quite specific when it comes to consumer-facing industry because we are working very closely with not only salons for hair and, ya, beauticians, let’s call it this way, that would be also spa salons or masseuse salons – you will also have those – but we also work with the customers of those. So, I wouldn’t call it very unique but still quite unique approach is that we cover both sides which is support given to salons and support given to customers of those salons. So we have marketplace for the customers of salons where you perform the booking – that could be through app or website – and on the other leg of our business we have SaaS, which is the software that we provide to salons to manage their agendas, to manage their daily activities whether this is booking, you know, so to ensure that the calendar is up to date, or also we provide PoS solutions to them so they can have a cash register managed whenever this is required from them. And last but not least we also have an	

	option of stock management. And when I talk about stock management this is actually the stock that salons would have of – for instance – beauty products, shampoos, colorants, nail polish, whatever, you name it. These are actually the key activities of [company name] as such. Transkription B: 3 - 3 (0)
The companies field of business > Tech-Company	I think we would say [company name] is a [incomprehensible; possibly retro?]-tech-platform Transcription A: 4 - 4 (0)
	So [company name] is a, you can call it, tech-company Transkription B: 3 - 3 (0)
The companies field of business > E-commerce	started selling products via the internet Transcription A: 4 - 4 (0)
The companies field of business > Logistics sales	has expanded its services not only through selling products but also selling logistical services Transcription A: 4 - 4 (0)
The companies field of business > Advertising sales	and selling advertising services Transcription A: 4 - 4 (0)
The companies field of business > Platform	Together you create a very strong platform for customers and partners

	Transcription A: 4 - 4 (0)
The companies field of business > Hair & beauty industry	So [company name] is a, you can call it, tech-company within the hair- and beauty-industry. Transkription B: 3 - 3 (0)
The companies field of business > Marketplace	So we have marketplace for the customers of salons where you perform the booking – that could be through app or website – Transkription B: 3 - 3 (0)
The companies field of business > SaaS for salons	and on the other leg of our business we have SaaS, which is the software that we provide to salons to manage their agendas, to manage their daily activities whether this is booking, you know, so to ensure that the calendar is up to date, or also we provide PoS solutions to them so they can have a cash register managed whenever this is required from them. And last but not least we also have an option of stock management. And when I talk about stock management this is actually the stock that salons would have of – for instance – beauty products, shampoos, colorants, nail polish, whatever, you name it. Transkription B: 3 - 3 (0)
The companies field of business > SaaS for salons > Booking	whether this is booking, you know, so to ensure that the calendar is up to date, Transkription B: 3 - 3 (0)
The companies field of business > SaaS for salons > PoS solutions	or also we provide PoS solutions to them so they can have a cash register managed whenever this is required from them. Transkription B: 3 - 3 (0)

The companies field of business > SaaS for salons > Stock management	And last but not least we also have an option of stock management. And when I talk about stock management this is actually the stock that salons would have of – for instance – beauty products, shampoos, colorants, nail polish, whatever, you name it. Transkription B: 3 - 3 (0)
Primary clients and customer segments	Well we have almost every household buying with us. And as you can maybe see on the internet we have 50,000 plus partners who are doing business via us. So in terms of segments I think we sell to every one - in terms of customers. And in terms of partners I think we are a platform for many smaller and bigger and also very large companies who want to reach those customers in the Netherlands and Belgium. Transcription A: 6 - 6 (0)
	So primary would be still salons. So all those companies like small boutique salons or bigger chains that would purchase our SaaS. Because at the end marketplace is a platform that enables customers of those salons to do the booking. We will participate in that process, but you can say that we are intermediary in that space. These are not our customers. So let's say you want to take the haircut or you want to have your beard trimmed: It's not the contract with [company name]. [Company name] enables you to purchase that service from particular salon. So… Transkription B: 5 - 5 (0) … the contract will be between you and the salon. And we will enable the execution of that contract. In terms of booking and later on ensuring that you go

	for the meeting because we will send you a reminder: Please don’t forget, your beard needs to be trimmed. So that’s what we will do. Transkription B: 7 - 7 (0)
Primary clients and customer segments > Customers segments	So in terms of segments I think we sell to every one - in terms of customers. Transcription A: 6 - 6 (0)
Primary clients and customer segments > Customers segments > majority of households / everyone	we have almost every household buying with us Transcription A: 6 - 6 (0) So in terms of segments I think we sell to every one - in terms of customers. Transcription A: 6 - 6 (0)
Primary clients and customer segments > Primary clients	And in terms of partners I think we are a platform for many smaller and bigger and also very large companies who want to reach those customers Transcription A: 6 - 6 (0)
Primary clients and customer segments > Primary clients > Partners	And as you can maybe see on the internet we have 50,000 plus partners who are doing business via us. Transcription A: 6 - 6 (0)
Primary clients and customer segments > Primary clients > Salons	So primary would be still salons. So all those companies like small boutique salons or bigger chains that would purchase our SaaS.

	Transkription B: 5 - 5 (0)	
Primary clients and customer segments > Intermediary between clients and customers of those clients	Because at the end marketplace is a platform that enables customers of those salons to do the booking. We will participate in that process, but you can say that we are intermediary in that space. These are not our customers. So let's say you want to take the haircut or you want to have your beard trimmed: It's not the contract with [company name]. [Company name] enables you to purchase that service from particular salon. So… Interviewer: Right. Interviewee B: … the contract will be between you and the salon. And we will enable the execution of that contract. In terms of booking and later on ensuring that you go for the meeting because we will send you a reminder: Please don't forget, your beard needs to be trimmed. So that's what we will do. Transkription B: 5 - 7 (0)	
Geographic scope of the companys operations	Well we are based in the Netherlands and we sell to Belgium and Dutch consumers. Transcription A: 8 - 8 (0) So we do not sell outside those two markets. Transcription A: 10 - 10 (0)	
	Absolutely. So we are present in 13 countries for now. We still talk about ourselves Northern Europe, Southern Europe, that's only because of the fact that there are different characteristics of customers and consumers, let's say	

	clients – this is the salon, customers is a version that goes to the salon. And from that perspective we have UK 9 – this is actually the biggest geography for us – then we have DACH, which means Germany, Austria and Switzerland, we have Lithuania, we have Netherlands and Belgium and then on the borders of being Northern Europe or Southern Europe is France. And then we start talking about Spain, Portugal, Italy, Greece. So these are the countries that we cover. Transkription B: 9 - 9 (0) Yes. I would say not even Central Europe as you can hear. Transkription B: 11 - 11 (0) Mostly western, southern part of Europe. Transkription B: 13 - 13 (0)
Geographic scope of the companys operations > (Parts of) Europe	Together you create a very strong platform for customers and partners in the Netherlands and Belgium. Transcription A: 4 - 4 (0) Well we are based in the Netherlands and we sell to Belgium and Dutch consumers. Transcription A: 8 - 8 (0)

	So we do not sell outside those two markets. Transcription A: 10 - 10 (0) given that we play specifically in these two markets. Transcription A: 68 - 68 (0)
	So we are present in 13 countries for now. We still talk about ourselves Northern Europe, Southern Europe, that's only because of the fact that there are different characteristics of customers and consumers, let's say clients – this is the salon, customers is a version that goes to the salon. And from that perspective we have UK 9 – this is actually the biggest geography for us – then we have DACH, which means Germany, Austria and Switzerland, we have Lithuania, we have Netherlands and Belgium and then on the borders of being Northern Europe or Southern Europe is France. And then we start talking about Spain, Portugal, Italy, Greece. So these are the countries that we cover. Transkription B: 9 - 9 (0)
Company work experience	7 years. Transcription A: 14 - 14 (0)
	So for me it's more than 1.5 years at this moment as a CFO of [company name]. Transkription B: 15 - 15 (0)
Company work experience > Experienced (5-10 years)	7 years.

	Transcription A: 14 - 14 (0)
Company work experience > Entry level (0-2 years)	So for me it’s more than 1.5 years at this moment as a CFO of [company name]. Transkription B: 15 - 15 (0)
Position-specific company work experience	7 years. Transcription A: 16 - 16 (0)
	So for me it’s more than 1.5 years at this moment as a CFO of [company name]. Transkription B: 15 - 15 (0) This is actually … Transkription B: 17 - 17 (0) That’s the one. Transkription B: 19 - 19 (0) Well my role is expanding in terms of the responsibilities. I joined as a CFO and was responsible originally only for finance. Then legal department was given to me, then the strategy and analytics and very recently central people operations as well as procurement. So it’s quite broad responsibility but very interesting exposure.

	Transkription B: 21 - 21 (0)
Position-specific company work experience > Experienced (5-10 years)	7 years. Transcription A: 16 - 16 (0)
Position-specific company work experience > Entry level (0-2 years)	So for me it's more than 1.5 years at this moment as a CFO of [company name]. Transkription B: 15 - 15 (0)
Level of involvement in M&A activities of the company	Well, how much…I would say, whats a good answer, enough I would say. I mean the due diligence that's being done is typically done by teams and specialists in the organisation internal and external. But in the end the decisions are being made at the executive level right so… Transcription A: 18 - 18 (0) If you wanna make a good decision you need to be properly involved that you understand what you are signing up to buy. Transcription A: 20 - 20 (0) So in the decision making I have been intimately involved Transcription A: 22 - 22 (0)
	Absolutely. So the one which is publicly known, [acquired company], that's actually one of the deals that I have done. And also from the perspective of legal mergers we have merged in Italy, in Spain and in France we have merged in total

	4 companies. There were mostly on the legal side, but you can imagine that it also has implications from the operational perspective. We have performed the merger for two legal entities per country to create one. Transkription B: 23 - 23 (0) Well from the acquisition perspective we have a quite hands on approach, for the acquisition, which means the whole financial, legal, commercial due diligence was performed in house. We did have the support from the external council but more on the side of the legal aspects. Just to ensure that we comply with local regulations when it comes to acquisition and post-acquisition requirements. It was also collaboration with external support when it comes to taxation and accounting because again this are jurisdictions where we do not have talent, which would perform this in-house, that's why we have outsourced, but the process of due diligence, of negotiations these are the activities which are performed in-house which means I was directly involved in it. Transkription B: 25 - 25 (0)	
Level of involvement in M&A activities of the company > Due diligence execution by others	I mean the due diligence that's being done is typically done by teams and specialists in the organisation internal and external. Transcription A: 18 - 18 (0)	
Level of involvement in M&A activities of the company > Due diligence execution in-house	Well from the acquisition perspective we have a quite hands on approach, for the acquisition, which means the whole financial, legal, commercial due diligence was performed in house. Transkription B: 25 - 25 (0)	

	but the process of due diligence, of negotiations these are the activities which are performed in-house which means I was directly involved in it. Transkription B: 25 - 25 (0)
Level of involvement in M&A activities of the company > Direct involvement in due diligence stage	But in the end the decisions are being made at the executive level right so… Transcription A: 18 - 18 (0) If you wanna make a good decision you need to be properly involved that you understand what you are signing up to buy. Transcription A: 20 - 20 (0) So in the decision making I have been intimately involved. Transcription A: 22 - 22 (0)
	So the one which is publicly known, [acquired company], that's actually one of the deals that I have done. And also from the perspective of legal mergers we have merged in Italy, in Spain and in France we have merged in total 4 companies. There were mostly on the legal side, but you can imagine that it also has implications from the operational perspective. We have performed the merger for two legal entities per country to create one. Transkription B: 23 - 23 (0)

Level of involvement in M&A activities of the company > External council & collaboration on legal aspects	We did have the support from the external council but more on the side of the legal aspects. Just to ensure that we comply with local regulations when it comes to acquisition and post-acquisition requirements. It was also collaboration with external support when it comes to taxation and accounting because again this are jurisdictions where we do not have talent, which would perform this in-house, that’s why we have outsourced Transkription B: 25 - 25 (0)
Business model of the company	Well…Well, well, I think - good question. I think when we talk about the business model we always talk about the flywheel. And the flywheel… Transcription A: 24 - 24 (0) We talk about the flywheel. You know what a flywheel is? Transcription A: 26 - 26 (0) Yeah, so imagine a flywheel as something like a wheel, something round. Like… Transcription A: 28 - 28 (0) And you can sort of give a push to the flywheel but then most wheels over time they stop going around … Transcription A: 30 - 30 (0)

So they slow down. But a flywheel has the opposite. A flywheel is something that if you give it a push, and if it's a proper flywheel, then the flywheel generates itself speed and it goes faster and faster.

Transcription A: 32 - 32 (0)

So, I mean, you are presumably of a relatively young age, compared to my age. So you're familiar with platforms and platforms are the ultimate flywheel, right, because …

Transcription A: 34 - 34 (0)

…if you have consumers then that's a good place for every partner or every other company wants to be there because that's where the consumers are.

Transcription A: 36 - 36 (0)

But if you have more partners joining or more companies joining you create a more richer assortment and it creates a better price. And that attracts more customers. And more customers attracts more partners. So it keeps on spinning around and around and ultimately platforms are so powerful because of the flywheel.

Transcription A: 38 - 38 (0)

So I think that we go back to what I described at the very beginning. When it comes to the business model: we are acquiring salons. These are our direct clients, right. So these are the ones that are going to purchase SaaS from our side. And the platform that we have, marketplace, is for our customers of those salons. From that perspective we consolidate these two. So we heavily rely on good supply, and when I say good supply these are the salons that we will work with, because by having a good supply those will be our advocates when it comes to the marketplace. Because what is also helping to them that to manage their agenda it's better for the customer to do their booking via app or via online then call them and try to ask them: "Please put me into your agenda". Because that takes time. They don't need to actually spend time on doing the booking the moment that the customer of theirs is going to use an app or is going to use a website. So we heavily rely on those salons but when it comes to the revenue stream, still, what you can read in our financial statements, you will find out that marketplace is the vast majority of revenue that we have. And this is not going to change for another several years. Why? Because at the end the supply, which are the number of salons is comparing to the marketplace limited when it comes to the potential revenue because at the end money sits with the customers of those. Not with the salon. Salon will not be able to pay thousands per month when it comes to the software fees, right? These are small companies very often these are maximum 2 people in the whole organisation with maybe additional support from the perspective of hairdressers and that's it. So the money actually is flowing through marketplace. So that's why we rely, our revenue stream is majority coming from the marketplace perspective, right. So that's on the revenue, let's say generation, and naturally what we are trying to do, we are trying to consolidate activities on the group level, unify them. When I say on the group level it doesn't mean that it will be sitting in one place but it will be orchestrated, and managed later on, on the group level. So, for instance, when it comes to the operations and how our customer service will operate, it will be unified way for every country. Why? Because this is the economy of scale. We don't need to have the dedicated single processes, for instance managing with customers of salons for each country in a different way. We will have it in one way.

	Transkription B: 33 - 33 (0)
	And that gives us opportunity to, of course, to cut down costs. The same applies towards technology and product itself. We want to centralize those, because it is not like a country like Italy will have a instance of SaaS and Lithuania will have another instance. It's not scalable. We unify and we roll out on the group level. From that perspective we manage to cut the costs down, right. Because at the end your PNL would be the composition of revenue and cost that you have. To limit the cost, we need to unify the business as much as possible, centralize the processes and follow the common route. Transkription B: 35 - 35 (0)
Business model of the company > Platform business model	And in terms of partners I think we are a platform for many smaller and bigger and also very large companies who want to reach those customers in the Netherlands and Belgium. Transcription A: 6 - 6 (0)
	So you're familiar with platforms and platforms are the ultimate flywheel, right, because … Transcription A: 34 - 34 (0)
	So it keeps on spinning around and around and ultimately platforms are so powerful because of the flywheel.

	Transcription A: 38 - 38 (0)
	And the platform that we have, marketplace, is for our customers of those salons. From that perspective we consolidate these two. So we heavily rely on good supply, and when I say good supply these are the salons that we will work with, because by having a good supply those will be our advocates when it comes to the marketplace. Because what is also helping to them that to manage their agenda it's better for the customer to do their booking via app or via online then call them and try to ask them: "Please put me into your agenda". Because that takes time. They don't need to actually spend time on doing the booking the moment that the customer of theirs is going to use an app or is going to use a website. Transkription B: 33 - 33 (0)
Business model of the company > Platform business model > Network effects / demand-side economies of scale	We talk about the flywheel. Transcription A: 26 - 26 (0)
	Yeah, so imagine a flywheel as something like a wheel, something round. Like… Interviewer: Yeah. Interviewee A: And you can sort of give a push to the flywheel but then most wheels over time they stop going around … Interviewer: Ah, ok.

Interviewee A: So they slow down. But a flywheel has the opposite. A flywheel is something that if you give it a push, and if it's a proper flywheel, then the flywheel generates itself speed and it goes faster and faster.

Transcription A: 28 - 32 (0)

…if you have consumers then that's a good place for every partner or every other company wants to be there because that's where the consumers are.

Transcription A: 36 - 36 (0)

But if you have more partners joining or more companies joining you create a more richer assortment and it creates a better price. And that attracts more customers. And more customers attracts more partners. So it keeps on spinning around and around and ultimately platforms are so powerful because of the flywheel.

Transcription A: 38 - 38 (0)

So we heavily rely on good supply, and when I say good supply these are the salons that we will work with, because by having a good supply those will be our advocates when it comes to the marketplace.

Transkription B: 33 - 33 (0)

what we are trying to do, we are trying to consolidate activities on the group level, unify them. When I say on the group level it doesn't mean that it will be sitting in one place but it will be orchestrated, and managed later on, on the

	group level. So, for instance, when it comes to the operations and how our customer service will operate, it will be unified way for every country. Why? Because this is the economy of scale. We don’t need to have the dedicated single processes, for instance managing with customers of salons for each country in a different way. We will have it in one way. Transkription B: 33 - 33 (0) And that gives us opportunity to, of course, to cut down costs. The same applies towards technology and product itself. We want to centralize those, because it is not like a country like Italy will have a instance of SaaS and Lithuania will have another instance. It’s not scalable. We unify and we roll out on the group level. From that perspective we manage to cut the costs down, right. Because at the end your PNL would be the composition of revenue and cost that you have. To limit the cost, we need to unify the business as much as possible, centralize the processes and follow the common route. Transkription B: 35 - 35 (0) maybe you cannot really utilize the data that the company has and, let’s be honest, online businesses rely, the success of company business rely on data. Transkription B: 55 - 55 (0)
Business model of the company > Platform business model > Dominance of platform business model	If they are really gaining speed, they are very hard to beat. Transcription A: 40 - 40 (0)

Business model of the company > Platform business model > Subscription fees (SaaS for clients)	we are acquiring salons. These are our direct clients, right. So these are the ones that are going to purchase SaaS from our side. Transkription B: 33 - 33 (0) So we heavily rely on those salons but when it comes to the revenue stream, still, what you can read in our financial statements, you will find out that marketplace is the vast majority of revenue that we have. And this is not going to change for another several years. Why? Because at the end the supply, which are the number of salons is comparing to the marketplace limited when it comes to the potential revenue because at the end money sits with the customers of those. Not with the salon. Salon will not be able to pay thousands per month when it comes to the software fees, right? These are small companies very often these are maximum 2 people in the whole organisation with maybe additional support from the perspective of hairdressers and that's it. So the money actually is flowing through marketplace. So that's why we rely, our revenue stream is majority coming from the marketplace perspective, right. So that's on the revenue, let's say generation Transkription B: 33 - 33 (0)
Business model of the company > Vertical integration	And advertising services, the products and logistical services are very complementary business models. Transcription A: 4 - 4 (0)
Comparative advantage of described business model	Yeah so I guess you do have two types of competitors. You have competitors who are in the same area of product that they sell - so they sell the same product

as you do - but are not a platform. So then you talk about brick and mortar companies.

Transcription A: 44 - 44 (0)

And obviously the example there is that we have a much bigger [incomprehensible, @ 8;07 possibly so-called/socle?]. We have a long tail and you can find anything with us and you need to go to a lot of different stores. It's much easier to find because you only have one job, it's delivered at home, so the ultimate convenience. There are many examples, I think, why online companies are more interesting and why people are getting used to buying online instead of offline. So those advantages are straightforward. And then you have, what's your comparative advantage over other companies that are also online companies. And then the most important competitor is of course amazon.

Transcription A: 46 - 46 (0)

Right, because amazon is very similar to our company. All other online-companies in the Netherlands and in Belgium, they are more focused on one category. So for example you may have, I mean you are in Austria if I'm not mistaken?

Transcription A: 48 - 48 (0)

Yeah. So I guess you are familiar with Metro or Media markt?

Transcription A: 50 - 50 (0)

So they offer online products. But they are just one category: electronics.

Transcription A: 52 - 52 (0)

And Zalando is just: fashion. So I guess the benefit of a company like amazon or [company name] is that they have a whole range of products. So you have a one-stop-shopping that you can do. So…

Transcription A: 54 - 54 (0)

So comparative advantage versus brick and mortar - clear. I think comparative advantage versus the other online companies that are more specialized - also clear. And then you have the difficult one which is how do you compare versus amazon. And that is obviously a very tough competitor where I don't want to talk too much about amazon.

Transcription A: 56 - 56 (0)

I think that agility of the business. You still not being a listed company or being very close to the IPO process gives the company the competitive advantage when it comes to reaction to the market conditions changes. What I mean by that: let's say here comes the recession, as we are experiencing these days, we can react in a sense of or redirecting the focus from the revenue perspective to see what is the ailing point and how to address it from one day to another. We don't need to have multiple layers of approval from different people, as you have in a big organization. That gives you the advantage towards bigger companies and at the same time, let's be honest, when it comes to any potential

	structuring the execution of such is easier to be done when you are of our scale and not like a humongous multinationals. So that's the competitive advantage. And now, probably, you should look from the product perspective: Where's the competitive advantage? Here consolidation of two services provided, that's something which will be beneficial for our salons comparing to, for instance, other companies that only provide SaaS as a solution. So in UK you have, I don't know, probably the most popular one will be Phorest. It's the company that also provides SaaS to salons, but they do not have marketplace, right. You also have companies such as Booksy or Fresha. They have more or less the same proposition, but the quality of supply, which are salons, is completely different. I would argue here that over there it's more about quantity instead of quality of those salons whilst we do strongly believe that actually quality of salons will drive unit economics for us. And that could be in a way that, ok, we focus only on hair & beauty, that's another competitive advantage, then, for instance, Fresha that covers multiple other segments of the industry and of the economy in general, which we would not even take into account. Like for instance, I don't know, the garages, the planning, let's say, software for garages in terms of their appointments. We will not cooperate with those because we know that, first of all, we don't have the expertise in that space, secondly unit economics of those are much, much lower. Transkription B: 37 - 37 (0)
Comparative advantage of described business model > Larger selection of products	So then you talk about brick and mortar companies. Interviewer: Ya. Interviewee A: And obviously the example there is that we have a much bigger [incomprehensible, @ 8;07 possibly so-called/socle?]. We have a long tail and you can find anything with us

	Transcription A: 44 - 46 (0) So I guess you are familiar with Metro or Media markt? Interviewer: Yes, of course, yes. Interviewee A: So they offer online products. But they are just one category: electronics. Interviewer: Yeah, exactly. Interviewee A: And Zalando is just: fashion. So I guess the benefit of a company like amazon or [company name] is that they have a whole range of products. Transcription A: 50 - 54 (0)
Comparative advantage of described business model > Convenience	. It's much easier to find because you only have one job, it's delivered at home, so the ultimate convenience. Transcription A: 46 - 46 (0)
Comparative advantage of described business model > Larger range of products	So I guess you are familiar with Metro or Media markt? Interviewer: Yes, of course, yes. Interviewee A: So they offer online products. But they are just one category: electronics. Interviewer: Yeah, exactly.

	Interviewee A: And Zalando is just: fashion. So I guess the benefit of a company like amazon or [company name] is that they have a whole range of products. Transcription A: 50 - 54 (0)	
Comparative advantage of described business model > One-stop-shopping	So you have a one-stop-shopping that you can do. Transcription A: 54 - 54 (0)	
Comparative advantage of described business model > Agility	I think that agility of the business. You still not being a listed company or being very close to the IPO process gives the company the competitive advantage when it comes to reaction to the market conditions changes. What I mean by that: let's say here comes the recession, as we are experiencing these days, we can react in a sense of or redirecting the focus from the revenue perspective to see what is the ailing point and how to address it from one day to another. We don't need to have multiple layers of approval from different people, as you have in a big organization. That gives you the advantage towards bigger companies and at the same time, let's be honest, when it comes to any potential structuring the execution of such is easier to be done when you are of our scale and not like a humongous multinationals. So that's the competitive advantage. Transkription B: 37 - 37 (0)	
Comparative advantage of described business model > Consolidation of services provided	Here consolidation of two services provided, that's something which will be beneficial for our salons comparing to, for instance, other companies that only provide SaaS as a solution. So in UK you have, I don't know, probably the most popular one will be Phorest. It's the company that also provides SaaS to salons, but they do not have marketplace, right. Transkription B: 37 - 37 (0)	

Comparative advantage of described business model > Quality of clients	You also have companies such as Booksy or Fresha. They have more or less the same proposition, but the quality of supply, which are salons, is completely different. I would argue here that over there it’s more about quantity instead of quality of those salons whilst we do strongly believe that actually quality of salons will drive unit economics for us. Transkription B: 37 - 37 (0)
Comparative advantage of described business model > Focus on one industry	we focus only on hair & beauty, that’s another competitive advantage, then, for instance, Fresha that covers multiple other segments of the industry and of the economy in general, which we would not even take into account. Like for instance, I don’t know, the garages, the planning, let’s say, software for garages in terms of their appointments. We will not cooperate with those because we know that, first of all, we don’t have the expertise in that space, secondly unit economics of those are much, much lower. Transkription B: 37 - 37 (0)
Motivation for recent M&A	Sustainability Transcription A: 60 - 60 (0) So the company we have acquired it’s the largest or whatever cycle there. It’s offering last-mile and distribution services in a sustainable i.e. green way. So obviously if you are in the business that we are in then everybody, yeah, we use a lot of carriers, vans, that bring the products to our customers and typically these vans run on fossil fuel and that’s not good for the environment. So we wanna be a environmentally friendly company but the national distribution and carriers in our geography, they don’t offer green alternatives. So one of the reasons for acquiring this company is because it allows us to bring these

products to the consumers in a green or environmentally very friendly way. And sustainability is part of our purpose, so this acquisition brings us closer to our purpose, our company purpose.

Transcription A: 64 - 64 (0)

So it is about the market position. If you look into France it will be, again, public knowledge that consolidation of SaaS businesses had to happen. Why? Because there was one acquisition performed by Booksy, I believe the company that they acquired was called Kiute. And then there is one number one player called Planity, which has probably about say, well, more than a quarter of the market – more than a quarter. And then there was a company called [acquired company], the big players and, of course, us. So you're talking about 4, 5 players in the industry that covered almost the whole country. With Planity being number one by a mile, I can tell you, by a mile. So the first reason was to solidify our number two position in the country, to gain that speed, when it comes to catching up with Planity, because if, let's be honest, the moment you take out one competitor from the equation and you add that competitor to your business you are gaining that advantage. And we, as a company, believe that that particular acquisition is in line with both sides goals. So what [acquired company], as a company or as investors, as well as the founders, they wanted to achieve, was the common goal for us as well. Which is fight off Planity. And to be at some point in time number one player in France and beyond. Because what is also important is that Planity is expanding outside of France and that is another competitive thread that we see in the equation.

Transkription B: 39 - 39 (0)

you said you want to gain more market share in the French market, right?

	Interviewee B: Absolutely. That was the first reason. Second reason: we strongly believe that the offer that [acquired company] had as a SaaS is in line with what we offer. Which means that there was a cultural fit as well from the perspective of product but also cultural fit from the perspective of people. We are a young company. Our average age of people, I can say, probably somewhere between 20 and 30. [Acquired company] is the same, [Acquired company] is the same. It's Parisian business. Same as ours. And the combination of two was relatively easy. I can tell you that when it comes to people culture for me it was very smooth transition post-acquisition. Why? Because we are similar, we are similar. And that helped us integrate both teams relatively in a easy way. Transkription B: 40 - 41 (0)	
Motivation for recent M&A > Sustainability (agency motives: bandwagon effect)	Sustainability Transcription A: 60 - 60 (0) The answer would be sustainability Transcription A: 62 - 62 (0) So the company we have acquired it's the largest or whatever cycle there. It's offering last-mile and distribution services in a sustainable i.e. green way. So obviously if you are in the business that we are in then everybody, yeah, we use a lot of carriers, vans, that bring the products to our customers and typically these vans run on fossil fuel and that's not good for the environment. So we wanna be a environmentally friendly company but the national distribution and carriers in our geography, they don't offer green alternatives. So one of the reasons for acquiring this company is because it allows us to bring these	

	products to the consumers in a green or environmentally very friendly way. And sustainability is part of our purpose, so this acquisition brings us closer to our purpose, our company purpose. Transcription A: 64 - 64 (0)
Motivation for recent M&A > Exploitation of synergies	synergies in buying a company is because if you combine their volume and your volume then you can give them much more volume and that volume allows you to go down on the cost curves. Transcription A: 102 - 102 (0)
	Second reason: we strongly believe that the offer that [acquired company] had as a SaaS is in line with what we offer. Which means that there was a cultural fit as well from the perspective of product Transkription B: 41 - 41 (0) but also cultural fit from the perspective of people. We are a young company. Our average age of people, I can say, probably somewhere between 20 and 30. [Acquired company] is the same, [Acquired company] is the same. It's Parisian business. Same as ours. And the combination of two was relatively easy. Transkription B: 41 - 41 (0) And at the end what you would like to achieve with the merger is that you have synergies, right. So normally 1 plus 1 should be more than 2, in this case, right. Transkription B: 49 - 49 (0)

Motivation for recent M&A > Exploitation of synergies > Utilize data	maybe you cannot really utilize the data that the company has and, let's be honest, online businesses rely, the success of company business rely on data. So if you cannot utilize the data sometimes you need to ask yourself why you are acquiring the business. Transkription B: 55 - 55 (0)
Motivation for recent M&A > Market position / consolidation	So it is about the market position. If you look into France it will be, again, public knowledge that consolidation of SaaS businesses had to happen. Why? Because there was one acquisition performed by Booksy, I believe the company that they acquired was called Kiute. And then there is one number one player called Planity, which has probably about say, well, more than a quarter of the market – more than a quarter. And then there was a company called [acquired company], the big players and, of course, us. So you're talking about 4, 5 players in the industry that covered almost the whole country. With Planity being number one by a mile, I can tell you, by a mile. So the first reason was to solidify our number two position in the country, to gain that speed, when it comes to catching up with Planity, because if, let's be honest, the moment you take out one competitor from the equation and you add that competitor to your business you are gaining that advantage. And we, as a company, believe that that particular acquisition is in line with both sides goals. So what [acquired company], as a company or as investors, as well as the founders, they wanted to achieve, was the common goal for us as well. Which is fight off Planity. And to be at some point in time number one player in France and beyond. Because what is also important is that Planity is expanding outside of France and that is another competitive thread that we see in the equation. Transkription B: 39 - 39 (0)

	because you said you want to gain more market share in the French market, right? Interviewee B: Absolutely. That was the first reason. Transkription B: 40 - 41 (0)	
Motivation for recent M&A > Market position / consolidation > Fight off number 1 competitor	Yes. So it is about the market position. If you look into France it will be, again, public knowledge that consolidation of SaaS businesses had to happen. Why? Because there was one acquisition performed by Booksy, I believe the company that they acquired was called Kiute. And then there is one number one player called Planity, which has probably about say, well, more than a quarter of the market – more than a quarter. And then there was a company called [acquired company], the big players and, of course, us. So you're talking about 4, 5 players in the industry that covered almost the whole country. With Planity being number one by a mile, I can tell you, by a mile. So the first reason was to solidify our number two position in the country, to gain that speed, when it comes to catching up with Planity, because if, let's be honest, the moment you take out one competitor from the equation and you add that competitor to your business you are gaining that advantage. And we, as a company, believe that that particular acquisition is in line with both sides goals. So what [acquired company], as a company or as investors, as well as the founders, they wanted to achieve, was the common goal for us as well. Which is fight off Planity. Transkription B: 39 - 39 (0) because you said you want to gain more market share in the French market, right? Interviewee B: Absolutely. That was the first reason	

	Transkription B: 40 - 41 (0)	
Motivation for recent M&A > Market position / consolidation > Overtake number 1 spot at some point	And to be at some point in time number one player in France and beyond. Because what is also important is that Planity is expanding outside of France and that is another competitive thread that we see in the equation. Transkription B: 39 - 39 (0)	
Reasons for EU-/non-EU-based M&A	Ya, it's in our market. So it's located and providing its services in the Netherlands. Transcription A: 66 - 66 (0) No, they would probably not make much sense given that we play specifically in these two markets. Transcription A: 68 - 68 (0)	
Reasons for EU-/non-EU-based M&A > Offering attractive service that aligns with company strategy	we wanna be a environmentally friendly company but the national distribution and carriers in our geography, they don't offer green alternatives. So one of the reasons for acquiring this company is because it allows us to bring these products to the consumers in a green or environmentally very friendly way Transcription A: 64 - 64 (0)	
Reasons for EU-/non-EU-based M&A > Operating in the same market	Ya, it's in our market. So it's located and providing its services in the Netherlands. Transcription A: 66 - 66 (0)	

Reasons for EU-/non-EU-based M&A > Non-EU-based M&A not considered	No, they would probably not make much sense given that we play specifically in these two markets. Transcription A: 68 - 68 (0)
M&A challenges	I think the biggest challenge would be in what we think a affordable price, what we think a right price needs to be. So that sounds like – of course – but there's a bit of context to it. So I think, I mean, we look back on an very strong growth of the online market and two specific years i.e. the gulf years where the market exploded. So distribution services because of the online market exploding, the request or the need for distribution and last mile services also exploded. So when you're trying to buy a company in a market that is hot, then there are a lot of other people who would just not really mind to pay a huge price because they think it will pay out. Transcription A: 72 - 72 (0) … in that market, that was sort of overheated, you need to stay, yeah, a little bit calm that you don't take any decision that in the end will destroy value because you have paid too much. And at the time there was a lot of cheap capital available. So there are a lot of start-ups or new companies that could easily acquire a lot of money. And therefore, you know, we're [incomprehensible] to pay too high prices. Transcription A: 76 - 76 (0) I mean we've had tough due diligences, so, complicated due diligences but typically you can hire the right expertise to do that.

Transcription A: 78 - 78 (0)

I guess the other example I could think of is: typically these companies are scale-ops and then the quality, the governance, the systems, the processes in these companies …

Transcription A: 82 - 82 (0)

… are not necessarily up to standard. And, I mean, you acquired them because they have a certain skill in which they have proven but when you buy them you have big plans for them. But you still wanna level to the existing management because they have the expertise. And therefore the existing management needs to be also capable, you know, to deliver up on that next 4, 5 years typically. That you do still have a role for them and you wanna give them a lot of extra volume but the necessary systems and the capabilities and the leadership is typically not up to standards. So there’s a general challenge, I think, is: how do you deal with the fact that the capabilities are always inferior versus what you have in your own company. And how do you keep them on the one hand agile because you don’t want to overload them with too much burden. But on the other, when you acquire them, they become part of you and they need to make the same standards as you because you are responsible for them.

Transcription A: 84 - 84 (0)

And that balance between agility and entrepreneurship versus professional I think is also turning out to be a difficult balance. Does that make sense?

Transcription A: 86 - 86 (0)

So the challenges with this particular acquisition, naturally the first challenge that you will always face is the price at which you are going to acquire the company because there's always the discussion seller-buyer. And let's be honest from the very beginning this are two different perceptions when it comes to objectives of both sides. Then it was also alignment when it comes to the future of the future that [acquired company] had. Because, let's be honest, you cannot go to the market with the same two value propositions. You need to align on that. Luckily, as I mentioned, not massive difference which means that whoever we went with, the product of [acquired company] or with the product of [company name], that didn't really matter because from the value proposition to the customer or client, in this case salon, more or less the same. So it was not a big challenge to decide. I think that another point which I would mention as a challenge but not only in our acquisition but long term in any of the acquisitions will be to have a long term buy-in from the existing employees. Because some of them will not really want to stay in the business and the moment that you decide to merge two companies then people will leave. So the challenge that we have faced is: How can we retain the top talent? And of course here you have different tools to do so.

Transkription B: 45 - 45 (0)

Yes of [acquired company]. Because, let's be honest, the moment that you're acquirer then it's easier because you kind of impose your structure, or you can impose your structure. What we did though, we have actually consolidated which means that we have utilized or we have used the moment to see what is the best of [company name] and what is the best of [acquired company] and combine it into one.

	Transkription B: 47 - 47 (0) And that was a challenge and at the same time opportunity, I would say, right. Because you can see that the situation, of course you need to manage properly, from the people perspective I would call it then as a challenge but at the same time it's opportunity to actually improve your organisations after the merger. And at the end what you would like to achieve with the merger is that you have synergies, right. So normally 1 plus 1 should be more than 2, in this case, right. And that's … Transkription B: 49 - 49 (0) … that's also from the people perspective. Transkription B: 51 - 51 (0)
M&A challenges > Finding the right price	what we think a affordable price, what we think a right price needs to be Transcription A: 72 - 72 (0) … in that market, that was sort of overheated, you need to stay, yeah, a little bit calm that you don't take any decision that in the end will destroy value because you have paid too much. Transcription A: 76 - 76 (0)

	And therefore, you know, we’re [incomprehensible] to pay too high prices. Transcription A: 76 - 76 (0)	
	naturally the first challenge that you will always face is the price at which you are going to acquire the company because there’s always the discussion seller-buyer. And let’s be honest from the very beginning this are two different perceptions when it comes to objectives of both sides. Transkription B: 45 - 45 (0)	
M&A challenges > Correct evaluation of the market/industry	So I think, I mean, we look back on an very strong growth of the online market and two specific years i.e. the gulf years where the market exploded. So distribution services because of the online market exploding, the request or the need for distribution and last mile services also exploded. So when you’re trying to buy a company in a market that is hot, then there are a lot of other people who would just not really mind to pay a huge price because they think it will pay out. Transcription A: 72 - 72 (0)	
M&A challenges > Taking external environment into account	So I think, I mean, we look back on an very strong growth of the online market and two specific years i.e. the gulf years where the market exploded. So distribution services because of the online market exploding, the request or the need for distribution and last mile services also exploded. Transcription A: 72 - 72 (0)	

	And at the time there was a lot of cheap capital available. So there are a lot of start-ups or new companies that could easily acquire a lot of money. Transcription A: 76 - 76 (0)
M&A challenges > DIfficult integration phase; keyword balance	I guess the other example I could think of is: typically these companies are scale-ops and then the quality, the governance, the systems, the processes in these companies … Interviewer: Ya. Interviewee A: … are not necessarily up to standard. And, I mean, you acquired them because they have a certain skill in which they have proven but when you buy them you have big plans for them. But you still wanna level to the existing management because they have the expertise. And therefore the existing management needs to be also capable, you know, to deliver up on that next 4, 5 years typically. That you do still have a role for them and you wanna give them a lot of extra volume but the necessary systems and the capabilities and the leadership is typically not up to standards. So there's a general challenge, I think, is: how do you deal with the fact that the capabilities are always inferior versus what you have in your own company. And how do you keep them on the one hand agile because you don't want to overload them with too much burden. But on the other, when you acquire them, they become part of you and they need to make the same standards as you because you are responsible for them. Interviewer: That's … Interviewee A: And that balance between agility and entrepreneurship versus professional I think is also turning out to be a difficult balance. Transcription A: 82 - 86 (0)

M&A challenges > Alignment of value propositions	Then it was also alignment when it comes to the future of the future that [acquired company] had. Because, let's be honest, you cannot go to the market with the same two value propositions. You need to align on that. Transkription B: 45 - 45 (0)
M&A challenges > Employee retention	I think that another point which I would mention as a challenge but not only in our acquisition but long term in any of the acquisitions will be to have a long term buy-in from the existing employees. Because some of them will not really want to stay in the business and the moment that you decide to merge two companies then people will leave. So the challenge that we have faced is: How can we retain the top talent? And of course here you have different tools to do so. Transkription B: 45 - 45 (0)
M&A challenges > Consolidation of assets	What we did though, we have actually consolidated which means that we have utilized or we have used the moment to see what is the best of [company name] and what is the best of [acquired company] and combine it into one. Interviewer: Yes. Interviewee B: And that was a challenge and at the same time opportunity, I would say, right. Because you can see that the situation, of course you need to manage properly, from the people perspective I would call it then as a challenge Transkription B: 47 - 49 (0)
Importance of regulatory environment for M&A	I would say a 2. I can't remember that in the acquisitions that we have looked at we were hampered by the regulations.

Transcription A: 90 - 90 (0)

Oh my, 4, at least 4. I want to say 5 but 5, it means that you will drive your M&A activity from the regulatory perspective, which is not true, it's more important what's the business decision, what's the business reason for the activity but it's very important to see what you can do how you can do, what you cannot do and very often, especially in France, it's quite complex regulatory area. That's why relying on the external support was crucial and I can see if I was to pay again, I would do it again, right.

Transkription B: 53 - 53 (0)

Because I can see that especially post-merger there are so many activities that you need to do that potentially can hinder your business. I give you the example, if we do not take into account the taxation requirements or obligations post-merger, you may, for instance, loose your priorial losses which in start-up world it means millions. Milions of potential tax savings. So you need to really take into account regulatory landscape in that aspect. Another aspect will be the whole GDPR when it comes to, but this is more European, right, but as the example: you might have some country specific GDPR rules that you would need to take into account once performing the acquisition because maybe you cannot really utilize the data that the company has and, let's be honest, online businesses rely, the success of company business rely on data. So if you cannot utilize the data sometimes you need to ask yourself why you are acquiring the business. So, I think, 4 is a fair answer to your question.

Transkription B: 55 - 55 (0)

Importance of regulatory environment for M&A > 2 - not really important	I would say a 2. I can’t remember that in the acquisitions that we have looked at we were hampered by the regulations. Transcription A: 90 - 90 (0)
Importance of regulatory environment for M&A > 4 - pretty important	Oh my, 4, at least 4. I want to say 5 but 5, it means that you will drive your M&A activity from the regulatory perspective, which is not true, it’s more important what’s the business decision, what’s the business reason for the activity but it’s very important to see what you can do how you can do, what you cannot do and very often, especially in France, it’s quite complex regulatory area. That’s why relying on the external support was crucial and I can see if I was to pay again, I would do it again, right. Transkription B: 53 - 53 (0) Because I can see that especially post-merger there are so many activities that you need to do that potentially can hinder your business. I give you the example, if we do not take into account the taxation requirements or obligations post-merger, you may, for instance, loose your priorial losses which in start-up world it means millions. Milions of potential tax savings. So you need to really take into account regulatory landscape in that aspect. Transkription B: 55 - 55 (0) Another aspect will be the whole GDPR when it comes to, but this is more European, right, but as the example: you might have some country specific GDPR rules that you would need to take into account once performing the acquisition because maybe you cannot really utilize the data that the company has and, let’s be honest, online businesses rely, the success of company

	business rely on data. So if you cannot utilize the data sometimes you need to ask yourself why you are acquiring the business. So, I think, 4 is a fair answer to your question. Transkription B: 55 - 55 (0)
Factors for successful post-M&A integration	Well, I guess the answer would be in our case, it would be, volume growth. Transcription A: 96 - 96 (0) Yeah. And the context behind it is that in the business that we're in you typically acquire a company because a company – so – these companies that we look at may be small companies. Now if you envision a cost curve as a - I don't know what's the word in English – in mathematics classes if you envision an X- and an Y-axis then you have a – I don't know the right word in English – but imagine a curve that starts very close to the high up on the Y-axis and that curve goes down to very low on the Y but very high on the X-axis. I think it's called – in Dutch we would say it's an asymptoot -… Transcription A: 98 - 98 (0) … but it's meaning to say it's a cost curve that if you move a little bit off the cost-curve you immediately, if you do a little bit more volume, your cost per item goes down dramatically. But over time if you do a lot of volume you're much lower on the cost curve. But then you need to do an awful lot more if you are already in a good position to even go down more in cost because you need to move all the way on the volume to the right. Transcription A: 100 - 100 (0)

So, one of the synergies in buying a company is because if you combine their volume and your volume then you can give them much more volume and that volume allows you to go down on the cost curves. So, a lot of the synergies are based upon an ability that true volume, you can get a better position on the cost curve. But you need to have volume for that. So if you are in a world where the volume is no longer for granted then the synergies that you have included in your acquisition case are no longer delivered. And then, you mean, you can integrate a company, but the value may no longer be there. And then maybe it's not so much about challenge to the integration but it's more a challenge that you made the right decision.

Transcription A: 102 - 102 (0)

Yeah, I don't think I have much experience on that area because we have decided to leave the companies fairly standalone.

Transcription A: 104 - 104 (0)

For that reason, right? I mean, I guess in our case we decided that the companies - we should not burden the scale-up with all of the systems and the processes that belong to a much bigger company.

Transcription A: 106 - 106 (0)

So for us it was retention of customers, when it comes to the [company name] side, right, because [company name] it's all about marketplace, and retention of clients, which are all the salons. And that was mostly on the site of [acquired company], because the acquisition did not affect salons so much of [company name] but it did affect the salons of [acquired company] because we decided that we will use the [company name] SaaS going forward. So the first of all is how do you address this potential churn and simply you do need to have a plan how you are going to tackle this; how you are going to ensure that you don't loose customers and you don't loose clients. So that was one. Another point, you know, the success story will be the moment that you have a proper plan behind people. I repeat this because online business rely heavily on teams. It's not about the product itself, because the product is developed by people. If you do not retain top talent within tech and product, you are going to loose the technology, which means: what are you going to sell? That's [incomprehensible]. And the second area of people is this sales department. You can have a brilliant product but if there is no one to sell it, you have a problem, right. So this was another planning of the people retention, right, not outside retention but internal retention. That's another factor that we had to take into account. And then, yeah, you already mentioned, when it comes to the strategy for the business, unified strategy is the key. So defining which product you are going to sell at what price, to what channels, which, actually, salons you are going to target. That was one of the few areas we had to define. And right now the execution of that strategy is happening. You say, ok, the acquisition happened end of April, so it's almost anniversary for us, but I can tell you there's still a lot of execution of the strategy that we put in place post-acquisition. So it is at least a year that you need to follow quite thoroughly the steps that you decided to take the moment that you decided about the acquisition. Naturally you need to be flexible because the external environment is changing. You cannot just stick to the plan only because of that this is the plan. You need to take into account flexibility and for instance answer to the recession that we have right now. No one planned for the recession in April 2022 …

Transkription B: 57 - 57 (0)

Factors for successful post-M&A integration > Volume growth	I guess the answer would be in our case, it would be, volume growth. Transcription A: 96 - 96 (0)
Factors for successful post-M&A integration > Similarity	I can tell you that when it comes to people culture for me it was very smooth transition post-acquisition. Why? Because we are similar, we are similar. And that helped us integrate both teams relatively in a easy way. Transkription B: 41 - 41 (0)
Factors for successful post-M&A integration > Retention of customers	So for us it was retention of customers, when it comes to the [company name] side, right, because [company name] it's all about marketplace, and retention of clients, which are all the salons. And that was mostly on the site of [acquired company], because the acquisition did not affect salons so much of [company name] but it did affect the salons of [acquired company] because we decided that we will use the [company name] SaaS going forward. So the first of all is how do you address this potential churn and simply you do need to have a plan how you are going to tackle this; how you are going to ensure that you don't loose customers and you don't loose clients. So that was one. Transkription B: 57 - 57 (0)
Factors for successful post-M&A integration > Employee retention	Another point, you know, the success story will be the moment that you have a proper plan behind people. I repeat this because online business rely heavily on teams. It's not about the product itself, because the product is developed by people. If you do not retain top talent within tech and product, you are going to loose the technology, which means: what are you going to sell? Transkription B: 57 - 57 (0)

	And the second area of people is this sales department. You can have a brilliant product but if there is no one to sell it, you have a problem, right. So this was another planning of the people retention, right, not outside retention but internal retention. That’s another factor that we had to take into account. Transkription B: 57 - 57 (0)
Factors for successful post-M&A integration > Unified strategy	when it comes to the strategy for the business, unified strategy is the key. So defining which product you are going to sell at what price, to what channels, which, actually, salons you are going to target. That was one of the few areas we had to define. Transkription B: 57 - 57 (0)
Factors for successful post-M&A integration > Post-M&A integration execution	And right now the execution of that strategy is happening. You say, ok, the acquisition happened end of April, so it’s almost anniversary for us, but I can tell you there’s still a lot of execution of the strategy that we put in place post-acquisition. So it is at least a year that you need to follow quite thoroughly the steps that you decided to take the moment that you decided about the acquisition. Transkription B: 57 - 57 (0)
Factors for successful post-M&A integration > Flexibility	Naturally you need to be flexible because the external environment is changing. You cannot just stick to the plan only because of that this is the plan. You need to take into account flexibility and for instance answer to the recession that we have right now. No one planned for the recession in April 2022 Transkription B: 57 - 57 (0)

Performance evaluation	I think we would evaluate it on whether we are winning in the market, typically defining the market share, revenue growth and value creation, which typically includes a profit metric or EVDA metric and a return on capital employed metric. Transcription A: 112 - 112 (0) I think it's more comprehensive than just a revenue metric because we create a value metric in it, we have a valuation metric in it. Transcription A: 114 - 114 (0) I think they would look at them as health metrics or … Transcription A: 116 - 116 (0) … leading metrics. Health. So Gesundheit, health metrics or leading KPIs but in the end if you look at, you know, how do we talk about success of the company. Have we met our target? Then those targets are share, revenue and value based metrics. Transcription A: 118 - 118 (0)
	It's a good question because it's a combination. We will cover both areas. I'll tell you why: revenue will be the very first point that I will be looking at, right, and how the revenue progresses but the quality of that revenue will be based on the first aspects that you have mentioned, right. Because you can see that revenue is growing but the question will be: does it grow properly in terms of per unit? So per unit economics, would that actually fit over there? And then you start

digging into the details. So the first area that you ask will kick in. This is when you start assessing: Do we have a good quality of salons? Do we have a good quality of customers? When I talk about good quality it means salons will provide, sorry, will use our software this and that amount of time per day, right, per hairstylist as the example. Then if on the marketplace we will have per salon at least 35 bookings from marketplace, that will be another assessment. And which is, again, quantitative but it is one of the components of revenue but it's not that I'm only looking at revenue. I am looking at the components and how the quality of those components affect my revenue. So it's difficult to say one or another.

Transkription B: 71 - 71 (0)

Yes. So, for instance, when we talk about marketplace, so the usage would be, what is the - we call it click-to-action, probably that you can also see this in other industries – is that: what would be the conversion going into a website or into an app up to the booking. So conversion that will be the efficiency of the app or of the online tool. Then you have, in general, usage as such: What is the percentage of app versus web? What is the percentage of online booking versus all the bookings? Because you still might have just you call the guy and the guy puts you directly into the calendar, right. And I can tell you even with our supply, so with all our salons, the online booking, which is what we want, because it's our tool at the end, it's less than 50 percent. I believe it's closer to 35 or 37 percent out of all the bookings, which means still more than 60 percent is performed by calling or simply walking into the salon, right, which means that the usage of the app or of the website is still not there, that we want to have, right. And then I did mention to you already how much the hairstylists are using our SaaS. So we have a metrics which actually measures the number of direct bookings, which means that, ok, here comes the client, sorry, customer, they want to have a beard cut: how many of those come to one stylist within a month. And we say that anything which is above I believe 35 or 40 bookings like that per one stylist that would mean that this is actually a proper usage of the system. And we talk about direct bookings here because from that app perspective it's not that they are using the system, because the marketplace does the work for them. So it's not really using the system. Using the system is will be into it, making the booking, ensuring that it's in the calendar and later on of course executing the service. So it's another area that we measure from the usage perspective.

Transkription B: 75 - 75 (0)

And I think that within marketplace as well as SaaS businesses on the marketplace majority of what the companies will be looking at what is so called take-rates. So what is the percentage of revenue versus the full value of the transaction. So that's one that we would be measuring. Why? Because it's like what is the part of the pie that we are taking when it comes to the transaction that goes to the salon. That's one. Then we would be checking what is the average order value because naturally the higher that metric the better for us because even if we fix the percentage of that pie absolute number will be better, right.

Transkription B: 77 - 77 (0)

So that is something that we would assess as well. And these are like just two when it comes to marketplace. You also talk about SaaS metrics and here, probably, you would be aware of the monthly recurring revenue because this is something, what it's quite typically for SaaS companies to measure. Annual recurring revenue. So this is something the moment that you, especially when you have the business model that there are some payments up front for the whole year. That's even more relevant to measure than MRR because MRR will

	be simply if your model is that on monthly basis you can come you can go as a potential client of ours. Then naturally MRR is more relevant than ARR. However these are two metrics that we will be looking at. Then you would be looking into the revenue churn. So it means that if you loose a salon, how much revenue you lost at the same time, right. And then there’s a percentage of it that we would be looking at what is, I would call it, a healthy level. So in general the healthy level would be somewhere around 1.5 percent maybe per month. How much you can loose your revenue or your supply if you talk about volume. Anything above means that actually you need to acquire more and more and hence you are going to affect the cost of acquisition of your customers. So called CAC, right. Transkription B: 79 - 79 (0) So on the revenue we also look into lifetime value of our salons. So when you know what your ARR is you can also estimate what will be the lifetime value the moment you know what is the churn of the business. Because then you can calculate that that particular salon will stay with you for 3 years on average or for 5 years on average depending on the churn level. And that helps you of course to assess do you really need to right now focus on cost reduction because simply your supply is turning over too often, yeah. Transkription B: 81 - 81 (0)
Performance evaluation > Winning in the market	I think we would evaluate it on whether we are winning in the market Transcription A: 112 - 112 (0)

	but in the end if you look at, you know, how do we talk about success of the company. Have we met our target? Then those targets are share, revenue and value based metrics. Transcription A: 118 - 118 (0)
Performance evaluation > Winning in the market > Market share	typically defining the market share Transcription A: 112 - 112 (0)
Performance evaluation > Winning in the market > Revenue growth	revenue growth Transcription A: 112 - 112 (0)
	revenue will be the very first point that I will be looking at, right, and how the revenue progresses Transkription B: 71 - 71 (0)
Performance evaluation > Winning in the market > Value creation	value creation Transcription A: 112 - 112 (0)
Performance evaluation > Winning in the market > Value creation > Profit / EVDA metric	which typically includes a profit metric or EVDA metric Transcription A: 112 - 112 (0)
Performance evaluation > Winning in the market > Value creation > ROCE metric	and a return on capital employed metric. Transcription A: 112 - 112 (0)

Performance evaluation > Usage/engagement metrics	I think they would look at them as health metrics or … Interviewer: Help or health? Interviewee A: … leading metrics. Health. So Gesundheit, health metrics or leading KPIs Transcription A: 116 - 118 (0)
	So, for instance, when we talk about marketplace, so the usage would be, what is the - we call it click-to-action, probably that you can also see this in other industries – is that: what would be the conversion going into a website or into an app up to the booking. So conversion that will be the efficiency of the app or of the online tool. Transkription B: 75 - 75 (0)
Performance evaluation > Usage/engagement metrics > Conversion rate up to booking / efficiency	So, for instance, when we talk about marketplace, so the usage would be, what is the - we call it click-to-action, probably that you can also see this in other industries – is that: what would be the conversion going into a website or into an app up to the booking. So conversion that will be the efficiency of the app or of the online tool. Transkription B: 75 - 75 (0)
Performance evaluation > Usage/engagement metrics > Usage of the platform	Then you have, in general, usage as such: What is the percentage of app versus web? What is the percentage of online booking versus all the bookings? Because you still might have just you call the guy and the guy puts you directly into the calendar, right. And I can tell you even with our supply, so with all our salons, the online booking, which is what we want, because it's our tool at the end, it's less than 50 percent. I believe it's closer to 35 or 37 percent out of all the bookings, which means still more than 60 percent is performed by calling or

	simply walking into the salon, right, which means that the usage of the app or of the website is still not there, that we want to have, right. Transkription B: 75 - 75 (0)
Performance evaluation > Usage/engagement metrics > Usage of the platform > Percentage of app vs. web	What is the percentage of app versus web? Transkription B: 75 - 75 (0)
Performance evaluation > Usage/engagement metrics > Usage of the platform > Percentage of online vs. all bookings	What is the percentage of online booking versus all the bookings? Transkription B: 75 - 75 (0)
Performance evaluation > Usage/engagement metrics > Usage of the software	And then I did mention to you already how much the hairstylists are using our SaaS. So we have a metrics which actually measures the number of direct bookings, which means that, ok, here comes the client, sorry, customer, they want to have a beard cut: how many of those come to one stylist within a month. And we say that anything which is above I believe 35 or 40 bookings like that per one stylist that would mean that this is actually a proper usage of the system. And we talk about direct bookings here because from that app perspective it's not that they are using the system, because the marketplace does the work for them. So it's not really using the system. Using the system is will be into it, making the booking, ensuring that it's in the calendar and later on of course executing the service. So it's another area that we measure from the usage perspective. Transkription B: 75 - 75 (0)
Performance evaluation > Quality of revenue	but the quality of that revenue will be based on the first aspects that you have mentioned, right. Because you can see that revenue is growing but the question

	will be: does it grow properly in terms of per unit? So per unit economics, would that actually fit over there? And then you start digging into the details. So the first area that you ask will kick in. This is when you start assessing: Do we have a good quality of salons? Do we have a good quality of customers? When I talk about good quality it means salons will provide, sorry, will use our software this and that amount of time per day, right, per hairstylist as the example. Then if on the marketplace we will have per salon at least 35 bookings from marketplace, that will be another assessment. And which is, again, quantitative but it is one of the components of revenue but it's not that I'm only looking at revenue. I am looking at the components and how the quality of those components affect my revenue. Transkription B: 71 - 71 (0)
Performance evaluation > Quality of revenue > Per unit growth	Because you can see that revenue is growing but the question will be: does it grow properly in terms of per unit? Transkription B: 71 - 71 (0) So per unit economics, would that actually fit over there? Transkription B: 71 - 71 (0)
Performance evaluation > Quality of revenue > Quality of clients	Do we have a good quality of salons? Do we have a good quality of customers? When I talk about good quality it means salons will provide, sorry, will use our software this and that amount of time per day, right, per hairstylist as the example. Transkription B: 71 - 71 (0)

Performance evaluation > Quality of revenue > Absolute of bookings over platform	Then if on the marketplace we will have per salon at least 35 bookings from marketplace, that will be another assessment. Transkription B: 71 - 71 (0)
Performance evaluation > Revenue metrics	And I think that within marketplace as well as SaaS businesses on the marketplace majority of what the companies will be looking at what is so called take-rates. So what is the percentage of revenue versus the full value of the transaction. So that's one that we would be measuring. Why? Because it's like what is the part of the pie that we are taking when it comes to the transaction that goes to the salon. That's one. Then we would be checking what is the average order value because naturally the higher that metric the better for us because even if we fix the percentage of that pie absolute number will be better, right. Transkription B: 77 - 77 (0)
Performance evaluation > Revenue metrics > Take rate Percentage	And I think that within marketplace as well as SaaS businesses on the marketplace majority of what the companies will be looking at what is so called take-rates. So what is the percentage of revenue versus the full value of the transaction. So that's one that we would be measuring. Why? Because it's like what is the part of the pie that we are taking when it comes to the transaction that goes to the salon. That's one. Transkription B: 77 - 77 (0)
Performance evaluation > Revenue metrics > Avg. order value	Then we would be checking what is the average order value because naturally the higher that metric the better for us because even if we fix the percentage of that pie absolute number will be better, right. Transkription B: 77 - 77 (0)

Performance evaluation > Revenue metrics > Monthly recurring revenue	You also talk about SaaS metrics and here, probably, you would be aware of the monthly recurring revenue because this is something, what it's quite typically for SaaS companies to measure Transkription B: 79 - 79 (0) because MRR will be simply if your model is that on monthly basis you can come you can go as a potential client of ours. Then naturally MRR is more relevant than ARR. Transkription B: 79 - 79 (0)
Performance evaluation > Revenue metrics > Annual recurring revenue	Annual recurring revenue. So this is something the moment that you, especially when you have the business model that there are some payments up front for the whole year. That's even more relevant to measure than MRR Transkription B: 79 - 79 (0)
Performance evaluation > Revenue metrics > Revenue churn	Then you would be looking into the revenue churn. So it means that if you loose a salon, how much revenue you lost at the same time, right. And then there's a percentage of it that we would be looking at what is, I would call it, a healthy level. So in general the healthy level would be somewhere around 1.5 percent maybe per month. How much you can loose your revenue or your supply if you talk about volume. Anything above means that actually you need to acquire more and more and hence you are going to affect the cost of acquisition of your customers. So called CAC, right. Transkription B: 79 - 79 (0)

Performance evaluation > Revenue metrics > Lifetime value	So on the revenue we also look into lifetime value of our salons. So when you know what your ARR is you can also estimate what will be the lifetime value the moment you know what is the churn of the business. Because then you can calculate that that particular salon will stay with you for 3 years on average or for 5 years on average depending on the churn level. And that helps you of course to assess do you really need to right now focus on cost reduction because simply your supply is turning over too often, yeah. Transkription B: 81 - 81 (0)

Appendix F: Companies & search terms for Google Trends

Company name*	**Google Trends web search terms & subcategories () used****
Allegro.pl sp. z o.o.	Allegro (company)
ASOS Plc (LSE:ASC)	Asos (fashion)
bol.com b.v.	bol.com (topic)
Booking.com B.V.	Booking.com (website)
CD Projekt S.A. (WSE:CDR)	GOG.com (topic)
Cdiscount S.A.	Cdiscount (topic)
Comuto SA	BlaBlaCar (company)
Deezer S.A. (ENXTPA:DEEZR)	Deezer (topic)
Deliveroo plc (LSE:ROO)	Deliveroo (company)
Delivery Hero SE (XTRA:DHER)	Delivery Hero (company)
Glovoapp23, S.L.	Glovo (company)
Intelligent Apps GmbH	FREE NOW (company)
Just Eat Takeaway.com N.V. (ENXTAM:TKWY)	Just Eat Takeaway (company)
Klarna Bank AB (publ)	Klarna (company)
Maxi Mobility Spain, S.L.	Cabify (company)
NET Global Taxis Ltd.	Lynk Taxis (taxi company in dublin, ireland)
New Work SE (XTRA:NWO)	Xing (social network)
Otto (GmbH & Co KG)	Otto Group (company)
Qwant SAS	Qwant (topic)
Spotify AB	Spotify (company)
Treatwell Limited	Treatwell (search term)
trivago N.V. (NASDAQGS:TRVG)	Trivago (website)
vente-privee.com, SA	Veepee (coder)
Viadeo S.A.	Viadeo (social network)
willhaben internet service GmbH & Co KG	willhaben (company)
Worldline SA (ENXTPA:WLN)	Worldline (company)
Zalando SE (XTRA:ZAL)	Zalando (company)

*Company name as per S&P Capital IQ Pro Market Intelligence database.

**The search term was defaulted to the platform name when possible and the subtopic was defaulted to company when possible. When it was not possible the company name, for search term, and the most promising result that showed up, for the subtopic, was used.