

## The Pac-Man strategy : roll-up patterns and processes in three industries.

### Author(s)

Lownie, Ken (Ken Earl), 1959-



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### Alternative title

Roll-up patterns and processes in 3 industries

### Other Contributors

Management of Technology Program.

### Advisor

Michael A. Cusumano.

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### Abstract

The history of some U.S. service industries includes a period of rapid consolidation through the acquisition of many firms by one or a few competitors. This is often referred to as a "roll-up", with the designation used both as a verb in referring to the process and as a noun in referring to the company doing the acquiring. Roll-ups have become a well-known phenomenon since at least 1971, when Waste Management Corporation commenced an aggressive roll-up of the North American solid waste industry. In this paper, we look at the roll-up phenomenon closely and identify some of the patterns that characterize the process. We examine the history of three U.S. service industries -- solid waste, funeral homes, and landscape maintenance -each of which has experienced (or is experiencing) rapid consolidation through the roll-up process. In our investigation, we identify common characteristics as well as key differences among the three, and investigate the background of the industry, the market forces that appeared to be driving the industry dynamics at the time the consolidation efforts began, the pattern and processes of consolidation, and the results of the consolidation effort. In doing so, we identify potential industry characteristics and elements of the roll-up process that may have been contributing factors in determining the outcomes. The analysis employs several concepts and frameworks from the corporate strategy literature. Chief among these is Porter's five forces model of industry structure (Porter 1980). Additional concepts used to compare and contrast the three industries and the consolidation

of each include minimum efficient scale, economies and diseconomies of scale, and inspection and integration issues related to merger activity (Oster 1999).

#### Description

Thesis (S.M.M.O.T.)--Massachusetts Institute of Technology, Sloan School of Management, Management of Technology Program, 2000.

Also available online at the DSpace at MIT website.

"June 2000."

Includes bibliographical references (leaves 74-78).

#### Date issued

2000

#### URI

<http://hdl.handle.net/1721.1/9219>

#### Department

Management of Technology Program.; Sloan School of Management

#### Publisher

Massachusetts Institute of Technology

#### Keywords

Management of Technology Program.

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