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Value effects of corporate consolidation in European retailing

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A significant number of studies have been performed to investigate generic effects of corporate consolidations on shareholder value. Sector-focused scrutiny has been lacking, however. European retailing has unique features that warrant investigation of consolidation effects, yet such studies are scarce or inadequate. This article seeks to fill the gap by reporting the findings of a study that ascertains the value impact of corporate consolidations in the context of European retailing. The method used in the study is analysis of the abnormal returns realised by shareholders in consolidating transactions, supplemented by examination of value-sales and price-earnings multiples. Its finding that retail consolidations fail to create shareholder wealth, in the short term at least, challenges retail executives to consider other ways to deliver value.

Keywords: Europe, Retailing, Stock markets

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