

# Barbarians at the Store? Private Equity, Products, and Consumers\*

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## Abstract

We investigate the effects of private equity firms on product markets using price and sales data for an extensive number of consumer products. Following a private equity deal, target firms increase retail sales of their products 50% more than matched control firms. Price increases—roughly 1% on existing products—do not drive this growth. The launch of new products and geographic expansion do. Competitors reduce their product offerings and marginally raise prices. Cross-sectional results on target firms, PE firms, the economic environment, and product categories suggest that private equity generates growth by easing financial constraints and providing managerial expertise.

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DISCLOSURE STATEMENT  
FOR  
“BARBARIANS AT THE STORE?  
PRIVATE EQUITY, PRODUCTS, AND CONSUMERS”

I did not receive financial support for this research, and I have no financial interest in its outcomes.

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## I. Introduction

Private equity firms are increasingly significant investors, raising more than \$3 trillion in capital in the 2012-2017 period alone, in pursuit of a simple goal: acquire businesses, and exit with gains.<sup>1</sup> How they attempt to achieve gains, however, is an open question. Studies show that PE firms improve total factor productivity (Davis et al., 2014a) and managerial practices (Bloom et al., 2015, Bernstein and Sheen, 2016), focus patenting activity (Lerner et al., 2011), increase employee safety (Cohn et al., 2016), and reduce agency problems (Edgerton, 2012).

Companies, however, exist to sell goods and services. Yet the direct effect of private equity on target firm products has received little academic attention. In this paper, we use micro-level retail scanner data to study private equity's strategies in the consumer product market.<sup>2</sup> We answer the following basic questions: When PE acquires a manufacturer of consumer goods, what happens to its product prices and sales? Does the product mix change? Does geographic availability expand or contract? And why had targets not implemented these changes before? Answering these questions helps reveal whether and how PE firms attempt to create wealth. We find that, in the years following the deal, private equity targets increase retail sales of their products in our sample by 50% on average compared to matched control firms.<sup>3</sup> Price increases do not drive this sales growth. The launch of new products and

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<sup>1</sup>Bain and Company (2018) reports that private equity firms raised \$701 billion globally in 2017, reaching a total level of over \$3 trillion in the 2012-2017 period.

<sup>2</sup>A series of articles published by the New York Times, titled "This is Your Life, Brought to You by Private Equity" 12/24/16, highlights the growing influence of private equity firms on the day-to-day purchases of millions of consumers.

<sup>3</sup>In this paper, for simplicity, we refer to private equity targets' "revenues" or "sales". In practice, we only observe the retail sales of the products they sell in our sample. These sales differ from firm total sales for two reasons. First, our sample only covers 91 U.S. retail chains. Products not sold through these chains are not captured. Second, we only observe the price that the customers pay at retail, not the price that target firms' receive from retailers and wholesalers.

geographic expansion do. Several cross-sectional analyses suggest that private equity firms achieve such growth by easing financial constraints and providing managerial expertise.

We compile monthly store-level prices and unit sales for nearly two million unique consumer products sold in nearly 43,000 locations in the United States between 2006 and 2016. This sample covers over 50% of grocery and drug store sales and over 30% of mass merchandiser sales in the United States. The data is remarkably detailed. For example, we can see that in the first week of August 2008, twenty-four cans of Del Monte French style green beans were sold in a particular store in Chicago at an average price of \$1.15 per can. We link each product to its parent company. Private equity firms acquired 236 of these companies over our sample period. Most of these firms (222) were privately owned at the time of the acquisition. These companies are the manufacturers of goods sold within retailers; we do not study the acquisitions of retail chains themselves as, for example, in Chevalier (1995a) and Chevalier (1995b). Compared to these studies that investigate deals from the 1980s and 1990s, our sample—from 2006 to 2016—reflects the recent increase in growth equity deals as opposed to more traditional leveraged buyouts.

We test for changes in product prices and sales, innovation, and availability after a PE deal by first matching each private equity target with a similar counterfactual at the time of the private equity event. We go beyond the firm-level match commonly used in the literature; the granularity of our data allows us to improve precision by comparing product lines and even products within the same store. Each of these different treatment-control pairs represents a cohort. We stack cohort-level observations and run a generalized difference-in-differences estimation.

We begin by documenting that in the five years post-deal private equity targets increase revenues of their products sold through our sample’s retailers by 50% on average compared

to matched control firms. Price increases do not drive this growth. The average price of products increases by about 5% in target firms relative to competitors. Further, this increase is primarily a composition effect from either the introduction of new products or expansion into richer areas, as the price of an existing product in a particular store increases by only about 1% relative to its direct competitors in the same store.

Volume growth, therefore, drives revenue growth. PE targets increase the number of unique products offered by 11% more than matched untreated firms following the deal. Some of this increase occurs through expansion into new (for the firm) consumer categories, such as a green bean seller branching to cauliflower. In addition, PE target products expand to new stores (+25%), retail chains (+10%), and zip codes (+14%).

Firms that compete with PE targets are affected by the deals. They marginally increase prices following the deal—less than half of one percent. This evidence is consistent with typical oligopoly models of rivals’ behavior when one firm raises prices (e.g., Hotelling, 1929). Competing firms’ product variety falls slightly, perhaps crowded out by the new offerings from target firms given finite shelf space.

How do private equity firms enable this growth? Why weren’t target firms undertaking these actions on their own before the deal? To address these questions, we further investigate our results by target firm type, PE firm type, time period, and industry (product category) structure. First, we study the effects of PE on public vs. private targets. PE firms achieve high growth, innovation, and geographic expansion only in private targets. In contrast, public targets raise prices, reducing sales for existing products. This evidence is consistent with PE firms providing access to capital or managerial expertise for private firms (Boucly et al., 2011, Bloom et al., 2015) and taming agency costs for public firms (Jensen, 1986). Second, we find that most of the growth occurs in small and young targets, perhaps because private

equity relaxes financial constraints. Third, we find indeed that private equity firms that are classified as having growth equity style produce most of the growth gains in the sample. We also examine PE deals separately during and after the late-2000s financial crisis. PE targets achieve more growth in both periods and are able to sustain higher prices in poorer economic conditions compared to counterfactual firms. Fourth, turning to industry structure, we find that PE targets introduce more products in more fragmented categories and achieve higher sales growth in product categories where they have stronger market share. PE targets also grow more in categories that are popular with high-income consumers. Last, we document that PE firms alter target company strategy by increasing acquisitions, advertising expenses, and retail price volatility. Overall, this evidence suggests that PE achieves growth by pulling several operational levers: relaxing financial constraints, strategically adjusting prices to economic conditions, focusing innovation and geographic expansion in product categories of relative strength, and promoting investment.

An important caveat in interpreting our results is that we cannot unambiguously conclude that private equity firms cause target firms to increase sales, product innovation, and geographic expansion, as “private equity treatment” is not randomly assigned. Private equity firms might target firms and brands that are expected to grow faster in the future. In other words, PE firms might simply be good at selecting promising targets rather than actively changing them. In this scenario, our growth results might reflect PE firms’ selection abilities rather than their treatment effects. The standard approach used in the literature to deal with this endogeneity concern is to match treated firms with similar (in the pre-deal period) untreated firms in the same industry. This at least attempts to minimize the role of industry trends. A problem with this approach is that standard industry codes are coarsely defined, and firms in the same broad industry can sell very different products. Thus, matched firms

might differ across many unseen characteristics. The granularity of our data potentially reduces this concern: we employ as counterfactuals not only similar firms, but also similar product categories and products themselves in the same store. For example, we compare a can of green beans sold by a target firm with a can of green beans sold by an untreated firm in the same location. The ability to control for the exact product and place removes a tremendous amount of error in matching relative to relying on firms that share nothing more than a standard industry code. Nonetheless, we cannot rule out the possibility that one specific brand of green beans has a different future trajectory than another. Thus, our research design helps mitigate—but not eliminate—the role of selection effects in explaining our results.

Our work contributes to the empirical literature on the effects of private equity on corporate performance and behavior. Chevalier (1995a) and Chevalier (1995b) study the pricing and market expansion behavior of supermarket leveraged buyouts and their competitors. These papers differ from ours along several dimensions. We do not study retail chains themselves; instead, the private equity targets in our sample are manufacturers of consumer products that are then sold within supermarkets, drug stores, and mass merchandisers. Our price and sales data are thus at the individual product level, not overall store level, and we are able to investigate product innovation and geographic expansion. Moreover, we provide evidence on PE deals completed in the 2000s in contrast to the supermarket deals of the 1980s, an important comparison given the evidence that PE strategies have evolved significantly over the past few decades (see, e.g Guo et al., 2011). Our results that PE firms spur growth complement the evidence in Boucly et al. (2011) that French target firms increase profitability, sales, debt issuance, and capital expenditures compared to control firms. Our evidence that PE deals significantly impact product markets also relates to studies that

document the extensive influence of private equity on various firm stakeholders by, for example, reducing work-related injuries (Cohn et al., 2016), increasing employee technological human capital (Agrawal and Tambe, 2016), improving sanitation and food-safety (Bernstein and Sheen, 2016), and negatively impacting student outcomes in for-profit higher education (Eaton et al., 2019) and patient health in nursing homes (Gupta et al., 2020). Last, other studies have documented that PE creates value for its investors (Robinson and Sensoy, 2013 and Harris et al., 2014). Our results on the mechanisms (section VII) shed light on how PE firms might create this value: by both alleviating financing constraints and providing managerial expertise on how to manage growth.

## II. Hypotheses Development

What happens in the product market after acquisitions by private equity firms? A popular view in the media is that businesses suffer under PE ownership. To generate cash flows, "you can expand the company, but more likely you slash costs, close divisions, cut staff, curtail marketing, eliminate research and development and more. In other words, cutting to the bone."<sup>4</sup> If PE firms follow such a strategy, target companies could trim product offerings and raise prices to boost short term cash flow.<sup>5</sup> Scaling back investment could also be optimal for some firms. Agency theory (e.g., Jensen, 1986) predicts that managers might engage in empire building. The added leverage and incentive alignment typical in some PE buyouts might impose discipline. If lower prices stem from an overinvestment in market share, private equity firms could raise prices. If firms are selling too many products in too many places, private equity could prune product offerings and distribution. Last, liquidity constraints

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<sup>4</sup> *Wall Street Journal*, 3/29/15.

<sup>5</sup> Kosman (2009) devotes an entire chapter to "Lifting Prices" in his book "The Buyout of America."

imposed by increased leverage could also lead to higher prices (Chevalier and Scharfstein, 1996).

An alternative and more recent stance on the role of private equity would predict, instead, post-deal product market expansion. Surveying PE firms, Gompers et al. (2016) find that in target firms revenue growth is pursued more aggressively than cost cutting. Analyzing data from 839 French PE deals, Boucly et al. (2011) indeed find that private equity firms appear to infuse capital and relax credit constraints, as target firms grow faster and become more profitable than their peers, particularly when capital might be most dear *ex ante*. Bloom et al. (2015) suggest private equity firms bring better management practices to target firms. If these mechanisms are at play, we expect to see growth. Implications for pricing, however, are unclear. New or better products might be more expensive. On the contrary, leaner manufacturing or more skillful bargaining with retailers could lead to lower prices.

These contrasting predictions can co-exist in the cross-section of target firms. Agency theories might better describe dynamics in more mature industries and for publicly traded firms (Jensen, 1986), while capital constraints may be more relevant for private, young, or small firms (Farre-Mensa and Ljungqvist, 2016 and Hadlock and Pierce, 2010). Bloom et al. (2015) find that private firms are more in need of managerial expertise than public firms. Davis et al. (2014a) document employment growth following private firm buyouts but contraction after public deals. Boucly et al. (2011) find stronger growth results for private-to-private deals. To test these different cross-sectional predictions, we repeat our main analyses separately for private and public target firms (section VII.B).

We also test if the effects of PE vary with economic conditions (section VII.E). Bernstein et al. (2019) study UK PE-backed companies during the financial crisis. Compared to control firms, PE targets decreased investments less and increased market share more. They

attribute these findings to the ability of PE firms to raise capital or provide strategic and operational guidance in difficult times.

How do competitors react to the entry of PE firms? Chevalier (1995b) finds that, following the LBO of a supermarket chain, prices in a local market rise if rival firms are also highly leveraged. Prices, instead, decline in local markets where competitors have low leverage and are concentrated. Similarly, Goolsbee and Syverson (2008) study the airline industry and find that incumbents cut fares when facing potential entry. Gerardi and Shapiro (2009) find that competition has a negative effect on price dispersion in the airline industry. We investigate competitor reaction in prices and product innovation in section VI.

### III. Data Description

#### A. Nielsen Retail Scanner Data

We combine private equity firm deals and retail store scanner data in our analyses. Product market data comes from the Nielsen Retail Scanner database from the Kilts Center for Marketing - Chicago Booth. This database tracks all purchases made in the United States from January 2006 to December 2016 at 42,928 stores from 91 U.S. retail chains. Almost all major chains are present in our data, but their identities are anonymized. The largest chain in the sample has 10,129 stores. The sample covers roughly 50% of total U.S. grocery and drug store sales and 30% of U.S. mass merchandiser sales. The stores are spread across the United States, covering 98% of media designated market areas (DMAs). Nielsen tracks weekly average prices and units sold at each store for close to two million unique consumer products.

The Nielsen data identifies products by name and Universal Product Code (UPC). The

data are very specific. For example, Table I lists all products available under the category “Canned Green Beans” in a specific grocery store in Austin, Texas, in December 2007. Seventeen green bean products are sold in the store differing in brand (e.g. Del Monte, General Mills), type (e.g. organic, French style), and size (e.g. 8oz, 14.5oz). We exclude UPCs that do not identify unique products (e.g., private label products, products temporarily sold in different size). For each product, each week, in each store, we know the average price, units sold, and total revenue. Table II provides summary statistics. The average product is sold in 571 stores and an average store carries about 19,000 products. Nielsen groups items into mutually exclusive groups such as ”Vegetables-Beans-Green-Canned,” ”Fabric Softeners-Liquid,” or ”Vacuum and Carpet Cleaner Appliance.” These are called ”product categories” and should be thought of as highly-specific industry definitions. Panel B of Table II shows that there are 1,127 different product categories, and each one includes on average 21 items belonging to four firms.

We match each UPC to its parent firm. The GS1 organization oversees the management of UPCs. Manufacturers buy from GS1 the usage right to a UPC company prefix that corresponds to the first six to nine digits of the UPCs of its products. Firms are required to disclose their name and address when buying a company prefix. Using the GS1 Data Hub, we exactly match 82% of the UPCs in the data to a GS1 company prefix. We map the remaining UPCs to companies by assuming that UPCs in the same firm share the first eight digits. In Panel C of Table II, we present the characteristics of the sample’s over 52,000 firms. The average firm sells 10.2 products in 2.9 product categories through nine retail chains spanning 1,346 stores.

The data allows us to precisely define competitors, market structure, and plausible counterfactuals. We aggregate the data at the monthly level to make the dataset more manageable

and to smooth consumption peaks (e.g. Black Friday).<sup>6</sup> The monthly frequency allows us to accurately capture when firms introduce new products, discontinue products, and expand into new markets.

Despite the richness of the data, we miss two important pieces of information. First, we observe the prices paid by consumers—the sum of the wholesale price and retailer markup. We cannot say with certainty which of these two price components drives our results. That said, whether PE firms are changing wholesale prices or influencing retailers to change margins, the ultimate effect on consumers is the same. Second, we do not observe manufacturing costs and markups and, thus, we cannot draw direct conclusions about the profitability or optimality of firms’ decisions before or after the private equity deal.

## *B. Private Equity Data*

We obtain data on private equity deals from Capital IQ and Preqin. From Capital IQ, we select all “closed,” North American, majority stake transactions classified as “Leveraged Buyout”, “Management Buyout”, “Secondary Buyout”, or “Going Private Transaction”. We do not include venture capital deals. From Preqin, we collect all North American private equity portfolio companies. We keep only deals closed between 2007 and 2015 as we require at least one year of product market data before and after each deal, and the Nielsen data spans 2006-2016. To link PE targets with firms in the Nielsen/GS1 database, we begin with fuzzy match algorithms based on company name and state and then manually check each deal to make sure the firms are correctly identified. We also buttress this process with a “top-down” approach, collecting the largest PE deals from Capital IQ and manually checking

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<sup>6</sup>The Nielsen data records weekly sales from Sunday morning to Saturday night. If the beginning or the end of the month is not on a Sunday, we assign a pro-rata of the weekly units sold and sales to each corresponding month.

if any belong in the sample. This makes sure we do not miss any large, important deals<sup>7</sup>. We end up with 236 private equity deals, of which 222 are acquisitions of private firms and 14 are public.

To address the representativeness of our sample, we compare in the appendix our deals with the universe of PE deals in Capital IQ during our sample period and with the PE deals in consumer products (see Appendix Table A1). We find that our deals appear to be larger in size and involve older firms compared to the average PE deal in Capital IQ and in consumer goods. We provide more details on this comparison in the Appendix section II.

Figure 1 shows the number of deals over time. Deals are more frequent during the private equity boom of the mid-2000s to 2007 and less frequent during the financial crisis starting in 2008. Online appendix Table A3 lists the most frequent PE buyers in our sample, identified using the category *Buyers* in Capital IQ and *Investors* in Preqin. Table A4 lists the private equity targets with the highest average sales in our sample. The three largest are Del Monte, The Nature's Bounty, and the Pabst Brewing Company. These are not necessarily the targets with the greatest deal value, just those with greatest presence in the consumer product categories and retailers we analyze.

## IV. Empirical Methodology

### A. Research Design

Private equity firms do not randomly select companies. As shown in Table A5 in the online appendix, they are more likely to target product categories that are less concentrated and more popular among high-income consumers, firms that are larger, and products that are

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<sup>7</sup>Expanded details on how the sample is formed are in the online appendix, section I.

cheaper than competitors.<sup>8</sup> While a comprehensive study of the characteristics of firms and products taken over by private equity is beyond the scope of this study, we use a matching strategy that controls for relevant observable trends. An advantage of our setting is that our detailed data allows us to match each treated unit with a very similar counterfactual.

Our matching strategy does not completely solve endogeneity problems. While we control for pre-deal observable characteristics, there could be unobserved characteristics that explain differences in post-event outcomes. Also, even if we could match on all pre-deal characteristics, a firm could still be targeted because it is expected to change in the future. We find evidence that alleviates the first concern: after the match, treated and control groups are similar also on observable variables that we do not use in the matching procedure (see Table A6). The granularity of the data helps with the second concern. We are able to compare, for example, two cans of green beans likely on the same store shelf. While it is possible that one brand has a different future trajectory than another (e.g., improved quality or buzz from an advertising campaign), matching with such specificity certainly reduces the scope of variation (e.g., we control for a sudden increase in green bean popularity).

An additional concern related to our empirical strategy is that both the treated firms/product categories/ products and their control units could react to the treatment (the PE deal). In other words, if competitors react to the entry of PE, then our comparison of treated vs. control units does not cleanly capture the effects of PE firms. To address this concern, in section VI we examine whether competitors change behavior when facing a PE competitor. We compare the prices of the same competitor product in stores where it faces PE entry vs. stores in which it does not.

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<sup>8</sup>We provide more details on how we identify category concentration and popularity among high-income consumers in section VII.F.

## *B. Matching Procedure*

We match each private equity target, product line, or store-UPC with a close competitor chosen based on observable characteristics at the time of the private equity deal. We define each resulting treated-control pair as a cohort and then stack all cohort observations. Finally, we run a difference-in-differences regression specification on this stack of cohorts.

We match each of the 236 treated firms and 1,835 treated firm-categories with a similar counterfactual based on four variables measured at the time of the private equity deal: monthly sales, number of unique UPCs sold, number of stores in which they sell, and growth in monthly sales. The first three variables are measured in the most recent pre-deal month, while growth in sales is computed from 12 months before the deal to the most recent pre-deal month. In the firm-level analyses, 220 control firms are matched to only one treated firm, six control firms to two treated firms, and one control firm to four treated firms.

We also perform analyses at the individual product level. For each product-store—e.g., Del Monte 14.5 oz. French Style Green Beans sold in a particular store in Austin, Texas—we select a matched product in that same store, in the same product category at the time of the private equity deal. We choose the particular green bean item (UPC) with the closest distance based on average price and units sold during the most recent month pre-deal, and growth in price and units sold from 12 months ago to the most recent month pre-deal. We match with replacement each treated unit with the closest control using the Abadie and Imbens (2006) distance metric<sup>9</sup>.

To address concerns of survivorship bias, we require that both treated and control units must be in the sample for at least one year before and one year after the deal. We also

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<sup>9</sup>For each of the four matching variables, we compute the difference between treated and control and then divide this difference by the variable's standard deviation in order to normalize the scale. We then compute the overall distance by summing the four scaled differences.

investigate whether treated or control firms are more likely to disappear post-deal. Focusing on deals from 2008 to 2011, so that we have a potential two full years before and five years after the deal, Figure A1 in the Online Appendix shows that the drop-out rate of PE targets and matched controls is very low. Furthermore, PE targets are less likely to drop compared to control firms, with this difference becoming larger especially in the years three to five post-deal.<sup>10</sup>

The matched control product categories and individual UPCs become the object of our analyses when we investigate the response of competitors in section VI.

### C. Econometric Specification

Our main empirical analysis employs a stacked cohort generalized difference-in-differences strategy. Essentially, we take the difference in outcome for each treated unit  $i$  (firm, product-category, or product) after the private equity deal relative to before and compare it with the difference in outcome of its matched control unit within the same cohort  $c$ .

$$y_{i,c,t} = \beta(d_{i,c} \times p_{t,c}) + \alpha_{i,c} + \delta_{t,c} + u_{i,c,t} \quad (1)$$

All regressions are estimated from 24 months before the event to 60 months afterwards. We choose the pre-window to have enough periods to test parallel pre-trends and the post-window to allow enough time for any PE effects to emerge. The unit-cohort fixed effect  $\alpha_{i,c}$  ensures that we compare the outcome within the same unit in the period before vs. after the deal. The time-cohort fixed effect  $\delta_{t,c}$  ensures that the treatment unit is compared only with the matched control at each point in time.  $d_{i,c}$  is a dummy variable identifying

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<sup>10</sup>To the extent that PE targets that are more successful than their control firms are dropped from our analyses because their match disappears, then this evidence would suggest that we are potentially understating the effects of PE, especially in the three to five years post-deal.

treated units.  $p_{t,c}$  is a dummy variable equal to one if the time period is after the private equity deal. The coefficient  $\beta$  represents the diff-in-diff effect of the private equity deal on the outcome variable relative to a matched counterfactual. The standard errors are double-clustered at the firm and month level to adjust for heteroskedasticity, serial correlation, and cross-sectional correlation in the error term (Bertrand et al., 2004).

To test whether treatment and control units have parallel pre-trends and learn how quickly private equity firms implement change, we also estimate the impact of private equity month-by-month using the equation below:

$$y_{i,c,t} = \sum_{k=-24}^{60} \beta_k (d_{i,c} \times \lambda_{t,k,c}) + \alpha_{i,c} + \delta_{t,c} + u_{i,c,t} \quad (2)$$

$\lambda_{t,k,c}$  is a dummy equal to one if time  $t$  is equal to  $k$  and zero otherwise. Standard errors are also double clustered at the firm and month level. Given the large number of fixed effects and observations, all regressions in the paper are estimated using the fixed point iteration procedure implemented by Correia (2014).

## V. The Effect of Private Equity on Target Firms

### A. Sales and Prices

What happens to the sales and pricing of goods sold by consumer products firms acquired by private equity? We start by analyzing these variables at the firm level. Each target firm is matched to an untreated firm as described in section IV.B. Panel A of Table III shows estimated coefficients of regressions of each firm's log sales, sales-weighted average log price, and log units sold on *After*, a dummy variable that equals one for firm-month observations

after the private equity deal close date for target firms. We find that retail revenues relative to a matched firm increase dramatically. The coefficient on *After* is 0.406, translating to a 50% increase in sales in the years following the deal<sup>11</sup>. This result is consistent with papers that document growth following PE deals (e.g. Boucly et al., 2011). This growth is primarily driven by a 43% increase in units sold. The average price per firm increases by 5%. We compute average product prices by dividing total revenues by units sold for each firm in each month. This is a very rough price measure—it blends all categories, products, and stores into a single number for each firm and will thus be influenced heavily by composition effects. While it could capture well overall trends in pricing for single category firms, the average price per firm is not likely informative for firms that sell both cheap and expensive items.

To better understand price dynamics and what ultimately drives changes in sales and units, we begin "peeling the onion". We break the unit of analysis down from the firm to the firm-category. In other words, now instead of treating Del Monte as a single entity, we analyze separately their green bean, canned peach, and spaghetti sauce businesses. This sharpens the analysis in two ways. First, it increases the quality of the match, as individual product lines can be matched more precisely than entire firms; Del Monte and General Mills do not participate in exactly the same product categories. Second, it allows us to separate changes in existing product categories from changes in the category mix. The 236 PE treated firms in our sample range from operating in a single Nielsen-defined product category (e.g., Noosa Yoghurt, LLC only sells products in the "Yogurt-Refrigerated" category in our sample) up to 101 categories for American Roland Food Corp.

In Panel B of Table III, we regress the logs of nationwide revenues, units sold, and average

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<sup>11</sup>Throughout the text, we exponentiate the coefficients for regressions with logged dependent variables when reporting magnitudes.

prices for a firm in a particular product category on the *After* variable. This breakdown at the product category level mimics the firm-level results. With the added precision of only comparing product categories, not entire firms, we find that average prices of private equity-owned firms increase by 3% relative to matched firms. Sales increase by 23% and units sold increase by 18%. All are statistically significant at 1%. These point estimates for units and revenues at the category level are a little smaller than at the firm level. This could be a sign that either PE targets' larger categories are growing the most, or that they are expanding to new categories. We explore this in the next section.

Figure 2 plots the trend in log sales and average log prices over time with a 90% confidence interval. While sales show no obvious pre-trend, prices seem to be on an increasing trend even before the deal happens. In Appendix Table A7, we investigate more formally the timing of the PE effects in sales, prices, and units sold by interacting our treatment variable with each of the two years before and four years after the year of the deal. The omitted category is the year of the deal (i.e., twelve months following the deal). In this analysis we confirm that sales and units sold are essentially flat in the two years before the deal. Prices, instead, seem to be already on a slightly increasing trend even before the deal. This evidence highlights the fact that PE firms might be more likely to select targets with prices that are already growing (as also documented in our selection analysis in Appendix Table A5).

After a PE deal, we find small price increases and large units sold increases at the product category level. Multiple paths can generate these results; distinguishing between them is important for understanding PE growth strategies. The relative increase in average nationwide category-level prices could be because existing products have been marked up. Alternatively, the composition of goods sold within a category might have shifted towards more expensive varieties (e.g., premium organic products), or the firm might be growing

share in markets or retailers that simply charge more (e.g., New York City). Similarly, there are different paths to the increase in firm-category units sold; PE targets could be gaining share within a store or expanding to new stores.

To peel the onion further, we zoom in to the individual product-store level. Instead of comparing a PE target and control firm's green bean sales nationally, we now compare a PE target's 16 ounce can of Italian-style green beans in a particular supermarket in Austin, Texas with a can of Italian-style green beans manufactured by another firm but sold in the same store. In other words, we use likely store shelf neighbors as counterfactuals. This allows us to tease apart changes to existing products from composition and location effects.

The unit of observation is a specific UPC in a specific store in a month. A cohort is defined as a treated-matched control pair of products within the same store and product category. We regress the logs of sales, price, and units on *After*, product-cohort fixed effects, and cohort-time fixed effects.

In Panel C of Table III, we find a 1% increase in the price post-PE for a given treated product relative to a competing product in the same store over the following five years. This 1% increase for existing products implies that the average category price increase of 3% shown in Panel B is mostly due to a composition effect: adding or shifting consumer tastes to products that are more expensive or expanding to locations with higher grocery store prices. Results on revenues and units sold differ substantially from the results in Panels A and B; both *After* coefficients are essentially zero. This means that existing products are not gaining share within their current stores. Some combination of selling new products or selling in new places must, therefore, drive unit and revenue increases at the firm and category level. We explore product innovation and geographic availability next.

## B. Product Line Development

Do private equity firms change the pace of new product introduction? Do they expand into new industries? Lerner et al. (2011) and Amess et al. (2015) find that after a leveraged buyout, firms increase their patenting activity and produce more influential patents, suggesting either a relaxation of financial constraints or reduced agency problems. While patents capture the early stages of innovation, our data allows us to study the end result with the release of new products.

Mimicking the price and sales analyses, we first answer these questions at the overall firm level. We match each of the 236 firms acquired by private equity with a non-private equity-owned firm with the closest sales, number of products, number of stores, and growth in sales. The unit of analysis is a firm-month. Table IV illustrates the effect of PE on product innovation. *Number of Products* is the log of the number of unique UPCs a firm sells nationwide in month  $t$ . *New products* is the number of products introduced by the firm in month  $t$ . A new product is a UPC that appears for the first time in the Nielsen database. *Discontinued Products* is the number of products dropped by the firm in month  $t$ , meaning the UPC never reappears again in the sample. To better ensure that we accurately measure introductions and discontinuations in product lines, we exclude from our analyses products that appear in the first six months of a firm's appearance in our sample. Analogously, we exclude products that disappear in the last six months of a firm's presence in our data. The reason for this is if a product (UPC) is sold in November 2016, but not December 2016 (the end of our sample), it may not have been permanently discontinued. It is possible the product simply did not sell any units in December but returned to stores later in 2017. A six-month buffer on both ends gives us more confidence that a product is truly discontinued or new. Last, *Number of Categories* is the log of the number of product categories in which

a firm sells products at time  $t$ . Nielsen defines 1,127 total product categories.

In Panel A of Table IV we compare the product portfolios of PE targets relative to the product portfolio of control firms. Column 1 shows that, relative to matched firms, PE-treated firms expand their number of distinct UPCs by 11% after the deal. Columns 2 and 3 show this expansion is achieved with greater churn—more frequent introduction and discontinuation of products. However, the coefficient on *New Products* is significant and more than double the coefficient on *Discontinued Products*, resulting in net increased product variety. We also find treated firms more likely to expand into new product categories. Column 4 shows that the number of product categories a PE target is in goes up by 5% after the deal. It thus appears that PE targets both create new varieties in existing product categories and enter into new ones.

To confirm this interpretation, in Panel B we run analyses at the firm-category level. We compare each treated firm-category with the same category of an untreated competitor. Within a category, PE targets increase their product portfolio by 2.5% relative to their pre-PE ownership days. Both new product introductions and discontinuations increase at a faster rate. Given that existing products do not decline in sales (see Table III), these new products do not cannibalize existing goods. Figure 3 shows that product innovation happens gradually over the years following the PE deal and that there are no significant pre-trends. We confirm the results of this graphical analysis more formally in Appendix Table A7.

Overall, private equity firms appear to engage in more creative destruction within their product lines, with introductions of new products outpacing discontinuations, resulting in greater product variety. We also find evidence of expansion into new product categories. Since average category-level prices increase for treated firms, the new products must be slightly more expensive. The higher number of products for sale helps explain why overall

units sold grow for treated firms despite no change in existing product units sold at the store level.

### C. Geographic Availability

Private equity targets increase units sold and revenues more than competitors. In the previous section, we show that introduction of new products contributes to this result. In addition, private equity firms may facilitate geographic expansion.

We define *Number of Stores* as the log of the number of stores that a firm sells in during month  $t$ . *Number of Chains* is the log of the number of retail chains that a firm sells to during month  $t$ . *Number of ZIP Codes* is the log of the number of ZIP codes of the stores that a firm sells in during month  $t$ . We report results at the firm-level in Table V, panel A, and at the firm-category-level in panel B. *After* is an indicator variable indicating a post-deal firm-month or firm-category-month for target firms. Column 1 shows that treated firms increase the number of physical stores in which they sell their products by 25% after the deal, relative to matched untreated firms. This result can happen by selling to more stores within the same retail chain or by entering new retail chains. Column 2 shows that PE targets increase the number of retail chains by 10% post-deal. Column 3 shows that PE firms expand to 14% more 3-digit ZIP codes. We obtain similar results for counties, DMAs, and states (see figure A2 in the Appendix for a graphical illustration of these results). The results at the firm-category level (in Panel B) are similar. Figure 4 shows that this expansion occurs steadily over the years following the deal. A formal analysis of the timing of the PE effects in Appendix Table A7 suggests that, at least at the firm-category level, target firms were possibly experiencing a decline in geographic expansion in the years before the deal.

Overall, Table A7 documents that most of our main results are significant starting from

the first year post-deal and that the effects of PE linearly increase over time. The only notable exception is average prices, where the effect is only statistically significant in year 2 and 3.

By extending our analyses up to five years post-deal, we might capture growth after the PE firms' exit. To address this concern, we repeat our main analyses stopping at the effective time of exit of the PE firms if earlier than five years. We report these results in appendix tables A11, A12, A13. All our results are robust to the alternative sample period.

## VI. Competitor Response

The results thus far show what happens to private equity treated goods relative to matched competitors. Competitors, however, do not necessarily stand still. In this section, we investigate how competition responds to private equity entry. Combined with the relative changes documented in section V, these results paint a more comprehensive picture of the overall effects of PE on products and, ultimately, consumers.

### A. Competitor Response: Prices

Prices on existing products taken over by PE increase by about 1% relative to matched products (Table III, Panel C). This result is consistent with private equity firms keeping prices constant while competitors lower prices to run highly leveraged targets out of business. Alternatively, competitors might also be increasing prices. It is ultimately an empirical question whether rivals match PE price increase behavior—as typical oligopoly models would predict—or seize an opportunity for predation.

To identify the pricing response of competitors to private equity entry, we exploit geo-

graphic variation in a given competitor's exposure to a PE deal. As an example, assume that Del Monte, a private equity takeover target, sells green beans in store A but not in store B. General Mills, who is not private equity owned, sells green beans in both stores. We compare the price response of General Mills in store A, which faces PE competition, to its response for the same products in store B, which does not. We attribute a differential price response following the deal to the PE firms' entrance. The identifying assumption is that absent the deal, the price of this particular green bean product of General Mills would have moved similarly in both stores.

The control firms in previous regressions now become the objects of interest. We first extract from the same-store analysis of Table III the same non-PE products and store locations that face a PE competitor. We then identify the stores where these non-PE products are sold absent the PE competitor. To keep the computation feasible, we randomly select ten of these stores, and among these we select the closest match in terms of price level and growth to the non-PE product which does face a PE rival. These two product-stores form a cohort.

In Table VI, *After* is an indicator variable equal to one for non-PE products after their competitors' PE deals, in stores where that newly PE-owned product is sold. As in the previous same-store product analysis, we include product-cohort fixed effects and time-cohort fixed effects. In Panel A, Column 1, the coefficient on *After* is 0.4% and significant, suggesting that private equity leads direct store competitors to marginally raise prices.

A problem for our identifying assumption would be if pricing trends in stores with PE competition are systematically different from trends in stores without PE. For example, PE products could be sold in chains or in geographic areas experiencing differential price changes. We address these possibilities in Columns 2 and 3. In Column 2, we require that all eleven

stores (ten which sell only the non-PE product, one which also sells the PE entrant) from which the product-store cohorts are drawn are part of the same retail chain. In Column 3 we require that all the stores used to define the cohorts are in the same DMA. The coefficients on *After* in these regressions are 0.4% and 0.3% and still significant. Private equity entry thus leads competitors to marginally raise prices in stores where they directly compete<sup>12</sup>.

Figure 5 plots the price response over time from Column 1. Price responses for Columns 2 and 3 are in the Appendix, Figure A3. Interestingly, the price change happens very quickly. Added to the relative price increase of approximately 1% for PE-owned goods, the results in panel A suggest the overall PE price increase experienced by consumers could be 1.3 to 1.4%.

### *B. Competitor Response: Product Mix and Availability*

Private equity targets boost product introduction and thus increase variety. To see how competitors respond, we analyze if, after the deal, there is a change in the number of products these competitors sell in stores where they compete with the PE firms vs. stores where they do not. As an illustrative example, General Mills, which is not PE-owned, sells 10 varieties of green beans in both stores A and B prior to the PE deal of its competitor, Del Monte. Del Monte sells green beans in store A but not store B. What happens to General Mills' green bean variety in store A vs. store B after the PE deal? Our identifying assumption is that any difference in General Mills' store A variety is due to the presence of private equity. The unit of analysis is now a firm's entire product category within a store, not a specific product, since we want to count the number of products in the product category. For each store in which

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<sup>12</sup>Price changes could be driven by the manufacturer (General Mills in our example) or the individual retail store manager; Levy et al. (1997) notes that both impact final retail pricing. Whether the manufacturer or the retailer is responsible for higher competitor prices when PE is present, however, it is still ultimately the PE deal that instigated the change.

a non-PE firm competes with a PE in a given category, we select ten random stores where the non-PE firm does not compete with PE. We form cohorts using all eleven firm-category stores, one treated by a PE entrant and ten untreated. We use all ten control stores because it is not obvious how to identify the best match and because we want to reduce the noise in the measurement of product variety using one single store.

We present these results in Table VI, Panel B. In Column 1, we find that a PE target competitor shrinks the number of product offerings by 1.5%. We find similar results in Column 2 where all 11 stores in each cohort are from the same retail chain, and Column 3 where all cohort members are from the same DMA. Unlike with prices, where competitors respond (marginally) in the same direction as their PE rival and likely shelf neighbor, product variety responds in the opposite direction. Given that shelf space is finite, more aggressive PE product introduction appears to crowd out competitors.

Our findings are at odds with evidence in Chevalier (1995b) that competitors enter and expand into the LBO grocery chain's markets after the deal. However, Chevalier investigates retail chains, while we focus on manufacturers that sell in these chains. In addition, Chevalier's sample is heavily influenced by publicly-traded firms, whereas most of our firms are private. In section VII.B, we split our analyses by public and private firms and find results for public firms at the product-store level that are more consistent with evidence in Chevalier (1995b). Last, supermarket LBOs from the 1980's were undertaken as a takeover defense<sup>13</sup>. Decades later, the drivers of PE deals appear starkly different (see our evidence from press releases in section VII.A).

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<sup>13</sup>"The vast majority of the leveraged buyouts were not the result of unconstrained decisions by managers and shareholders. All four of the biggest deals (and many of the smaller ones) were undertaken to thwart the unwanted takeover attempts of the Haft family" (Chevalier, 1995b).

## VII. Mechanisms

Private equity deals result in marginally higher prices but significantly higher sales, primarily through aggressive introduction of new products in new locations. How do private equity firms achieve these results? Why are they needed? In this section we investigate the potential mechanisms in play by examining cross-sectional and time-series variation in PE impact. Knowing where and when PE is most effective can provide clues to their particular skills and strategy. First, we read the deal press releases and classify the deals according to their stated intent. Second, we study the effects of PE on public versus private targets and on firms more likely to be financially constrained. Third, we investigate heterogeneity in PE firms in their focus on growth deals. Fourth, we analyze PE effects in different economic conditions, specifically during and after the financial crisis. Fifth, we focus on heterogeneity at the product-category level. We examine PE effects in product categories where target firms have high vs. low market power, in product categories with high vs. low barriers to entry, and in categories popular among high-income vs. low-income consumers. Sixth, we test the effects on additional strategy and investment levers. That is, we study if target firms change acquisitiveness, advertising intensity, or price adjustment frequency. Last, we examine acquisitions of firms by operating companies (i.e., traditional takeovers) to test if our results are specific to PE acquisitions or occur whenever there is a change in ownership.

### A. *Private Equity Deal Press Releases*

A starting point for understanding how private equity firms achieve results is to investigate their stated plans and strategies. Gompers et al. (2016) survey PE firms to understand how they attempt to create value. In the same spirit, we collect and analyze the press release

announcements for the deals in our sample. With the caveats that PE firms strategically handle their press and likely overstate positive outcomes (e.g. growth) and downplay negative ones (e.g. layoffs), announcements can still offer insights into the range of strategies employed.

We were able to find informative press releases for 148 deals. We categorize the stated reasons for the deals in Table VII. Reasons are not mutually exclusive. Most press releases (86%) generically mention growth; some specifically detail new product development, acquisitions, or access to distribution. Capital infusion and human capital are mentioned as well. Motivations pertaining to cost cutting and financial engineering are hardly present. There is no mention of PE as a takeover defense, as, for example, in the case of supermarket LBOs in Chevalier (1995a). Overall, the stated strategies are consistent with our growth results.

### *B. Public versus Private Targets*

Public and private firms may be at different points in their life cycles. They could also have different needs and face different challenges. Private firms are more likely to be small and financially constrained (Farre-Mensa and Ljungqvist, 2016), while public firms are usually larger and more mature and could be subject to greater agency and overinvestment problems (Jensen, 1986). In Table VIII, we run our sales and price, product innovation, and geographic availability tests separately on public and private PE target firms. Of the 236 treated firms, 222 are private and 14 are public. We classify as public to PE those deals where an entire public firm is sold to PE. We do not include in this category the sales of divisions of public firms. We find the impact of private equity is not the same for public and private targets.

In Panel A, the results for private targets match those for the pooled sample (Table III)

at the firm level: post-PE prices increase by 5% while sales and units dramatically increase by 52% and 45%. For public firms, however, although the coefficients have the same sign, the magnitudes on sales and units increases are much smaller and not statistically significant. At the firm-category level, the results for private firms are again consistent with the full sample results—significant growth in sales and units and a 4% increase in prices. Public firm sales and units within a product category fall post-deal relative to a control. These coefficient are not statistically significant. Public firm deals thus do not appear to generate the same growth results.

The within-product-store analyses for the full sample (Table III) document no change in existing product sales and units and a marginal 1% increase in prices. These results mask significant differences between public and private firms. Panel A shows that for private firms, existing products increase sales post-deal by 6%—a result statistically significant at the 1% level. An increase in units sold, not price, drives this result. This is consistent with the fact that private targets spend more on advertising after the deal (see section VII.G). Public firms, instead, raise prices by 2% and see revenues fall by 6%.

In Table IV we find that, in the full sample, product offerings expand within existing categories and into new ones after a private equity deal. In Table VIII, Panel B, we split these innovation results by public and private firms. For private firms, post-deal behavior mimics the full sample findings: the number of products grows by 11% and categories grows by 6%. There is scant evidence, however, that public firms more frequently introduce new products or enter new product categories relative to controls in the post-deal period. The coefficient signs are mixed, and the results are not statistically significant.

In Panel C, we revisit geographic expansion. Private firms drive the strong growth in market penetration in the overall sample (Table V), registering higher growth rates across

stores, ZIP codes, and chains relative to matched firms post-deal. The results hold both at the firm and firm-category level. Public firms again show mixed results with no statistical significance.

This divergence in results between public and private firms suggests the existence of both growth and agency motives for private equity deals. Access to financing, managerial expertise, or business connections can help younger, private firms expand their product lines. *The New York Times* notes that “business owners with a product to sell often dream of winning shelf space in the Wal-Marts and Targets of the world. But...it is a challenge to get shelf space in any store.”<sup>14</sup> Public firms, in contrast, may be overinvesting in market share by charging prices that are too low. Our results of growth for private targets and higher prices for public firms are consistent with other studies. For example, Davis et al. (2014a) document that employment grows following private firm buyouts, while it declines after public deals. Boucly et al. (2011) similarly find stronger growth for private target firms. This variation in deal outcomes can also perhaps explain the negative portrayal of private equity in the media: layoffs and contraction are associated with the most visible, well-known targets.

### C. Financial Constraints

Higher growth for private target firms suggests that PE firms could provide capital for growth. To investigate further this possibility, we repeat our major analyses after splitting our sample based on the likelihood that target firms are financially constrained. Firm size and age could be used to identify financially constrained firms (Hadlock and Pierce, 2010). We first define “age” as the difference between the year a firm is founded (from Capital IQ)

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<sup>14</sup>“Getting Your Product Onto Retail Shelves” *The New York Times* 10/20/2010

and the year of the deal. We define “size” as the total \$ value of all the sales of the firm products in the Nielsen data set during the month of the deal. Adapting the approach in Hadlock and Pierce, 2010, we define the SA index as “high” if the target firm is in the top half of both the age and size distributions, “low” if the firm is in the bottom half of both the age and size distributions, and “medium” otherwise. In Panel A of Table IX, we investigate the effects of PE on sales, units, and prices. Relative sales and units increase substantially more for firms with high financial constraints vs. firms with low financial constraints. For example, at the firm-category level, the effect of PE firms on sales is twice as strong for targets with low SA index vs. targets with high SA index. The effects on units sold is roughly three times as strong. Average prices at the firm category also increase twice as much for financially constrained firms, suggesting that these firms might be more likely to expand into more expensive products or geographies. The analyses at the product-store level support this interpretation. For existing products, PE has a negative effect on prices for low SA firms (statistically insignificant, t-stat = -1.65). For high SA firms, instead, we find that after the deal prices increase by 1.3% (t-stat = 2.37). This latter result is consistent with the earlier finding that PE firms tend to raise prices on existing products for public firms (see Table VIII) that are less likely to be financially constrained.

In Panel B, we investigate the effects of PE on product innovation. We find that PE firms are more likely to enter new product categories if target firms are non-financially constrained (high SA index). Nonetheless, the analyses at the firm-category level reveal that product innovation in already existing product categories is concentrated among low SA/ financially constrained target firms.

In Panel C, we present results for geographic availability. Consistent with our previous findings, target firms that are financially constrained increase their geographic reach in new

stores, chains, and zip codes three to four times more than non-constrained target firms.

Overall, this evidence supports the notion that PE firms help their targets by alleviating financial constraints and providing capital for growth.

#### D. Private Equity Firms with Growth Focus

We now turn our attention to heterogeneity in private equity firms. Given our strong growth results, we investigate the effects on consumer products of those PE firms with expertise in growth deals. For our sample of PE firms deals,<sup>15</sup> we first collect information from Capital IQ on transaction types and stages of the target companies in which they invest. We then define a PE firm as having growth expertise if “*growth capital*” is mentioned in the description of the typical transaction types in which the company invests. Many PE firms are classified in Capital IQ as being involved in multiple transaction types (e.g., “*growth capital*”, “*buyout*”, or “*turnaround*”). To be clear, in our definition of growth PE we do not require PE firms to be specialized only in growth capital. Last, for those deals that involve multiple PE firms, we aggregate information from PE firms at the deal level. In our main analyses in Table X, we define deals as executed by “growth PE firms” if at least one PE firm has expertise in growth deals. Using this definition, we classify 146 deals (or 64% of our sample) as growth deals. Our results are robust to different specifications, such as requiring that the majority or all the PE firms have expertise with growth capital deals.

In Panel A of Table X we recreate our main results, splitting the sample between deals by growth and non-growth PE firms. Both at the firm and firm-category levels, target firms substantially increase sales, average prices, and units when PE firms with growth expertise are involved in the deal. For deals by PE firms without growth expertise, the results are

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<sup>15</sup>We can identify information on PE firms in Capital IQ for 227 out of our total of 236 deals. 228 Private Equity firms are involved in these 227 deals.

not statistically significant at the firm and firm-category levels. At the product-store level, however, we find opposite results. That is, prices and units grow only for deals by non-growth PE firms. While growth-oriented PE firms spur growth in new product categories with higher prices, non-growth oriented PE firms tend to increase prices on existing products. This evidence mirrors the analyses on private firms in Table VIII. In Panel B and C, we investigate product innovation and geographic availability. We find similar results: product innovation and geographic expansion happen predominantly in deals in which PE firms with growth expertise are involved.

These results suggest that PE firms with expertise in growth capital deals drive our results. This evidence is consistent with the growth motivation prevalent in the deals' press releases (see Table VII). Our overall results of higher growth post-deal are at odds with the 'cut to the bones', negative view of PE firms in the media. In the 2000's and 2010's, PE firms as a growth engine, particularly for smaller and private firms, seems a more appropriate narrative.

### *E. Financial Crisis*

The financial crisis of the late-2000's provides a setting to investigate how PE targets operate when financial resources and managerial expertise likely become more important. In Table XI, we split the PE deals into those that close between 2007 and 2010 (during the crisis) and those that close between 2011 and 2015 (after the crisis). Consistent with the full sample results, we find in Panel A that prices, units, and sales increase for PE firm targets in the two time periods, both at the firm and at the firm-category levels. Results at the store level diverge. During the crisis, existing PE products gain share in a given store, even as relative prices increase by 3%. Post-crisis, instead, existing PE products do not gain or lose

share relative to likely shelf neighbors, while their prices fall by 1%. This evidence suggests that for existing products PE targets are able to gain market shares and sustain (relatively) higher prices in poorer economic conditions. For product innovation (Panel B), we find that there is more product turnover for PE targets during the crisis. The geographic availability results in Panel C show that expansion to new locations is generally similar during the two periods.

There are two main takeaways from these results. First, PE-driven growth occurs in all economic conditions, including during the financial crisis when capital is scarce. This evidence is consistent with Bernstein et al. (2019). They find that during the financial crisis UK PE-backed companies decreased investments less and increased their market share more compared to control firms. They attribute this evidence to the ability of PE firms to raise capital, to assist with operating problems, and to provide strategic guidance. Second, we find evidence that PE strategies change based on general economic conditions. During the crisis greater innovation and product turnover drive sales. After the crisis—in better economic times—PE targets are also able to reduce prices on their existing products.

## *F. Industry Structure*

In which industries/ product categories are PE firms more successful? We examine: i) the PE target’s market power within an industry; ii) the industry’s overall competitiveness and concentration; and iii) the popularity of an industry among high-income consumers.

Lerner et al. (2011) document that, following a private equity deal, new patent activity becomes more concentrated in “core innovation” areas, i.e., those with more patenting prior to the PE deal. We examine analogously whether PE targets focus their efforts in product categories where they are well-established or direct attention to categories where they have

smaller presence and more room to grow. In Table XII, Panel A, we repeat our main product-category analyses but split the sample by PE target market share. For each firm, each month, we calculate its market share in each product category.<sup>16</sup> A firm’s product category is “high market share” if it is above the median firm market share in that category and “low” otherwise. Growth in sales and units sold and higher average prices all happen in the product-categories where target firms have higher market share. We also find more product churn—introductions and discontinuations—and higher geographic expansion in these higher share categories.

We next analyze whether PE strategies vary based on industry concentration. Low concentration industries are traditionally considered more competitive, but they are also less likely to be dominated by a small number of firms. Do PE-treated firms expand where there are many small sellers and, possibly, lower barriers to entry? Or do they pursue growth in categories where a few dominant players (e.g., Coke and Pepsi) have the lion’s share of the market? For each of the 1,127 product categories, each month, we calculate the nationwide Hirfindahl-Hirschman Index value (HHI). Specifically, we compute the revenue market share by firm and then square and sum these squared shares, resulting in a value between zero and one. Lower HHI values correspond to lower industry concentration. We split categories into those above and below the median HHI each month, labeled respectively “high HHI” and “low HHI”. In Panel B of Table XII we run our main specifications separately for these two groups. Many of the results are similar across high vs. low HHI categories. A notable difference is that innovation seems to be concentrated in low HHI categories. Here, target firms introduce more new products and have greater variety.

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<sup>16</sup>For example, if in a month there are 30 firms nationwide that sell green beans, we divide each firm’s green bean sales by total green bean sales that month. We then categorize these 30 firms into those that are above or below the median green bean market share.

There is growing evidence that in the past decade product introductions have favored high-income consumers (e.g., Argente and Lee, 2019 and Jaravel, 2018). Do PE-treated firms concentrate their growth efforts in product categories popular among consumers with higher income? We integrate our retail-scanner dataset with the Nielsen Consumer Panel data to address this question. The Consumer Panel Data includes a representative panel of households that provide information about their purchases and, critically, demographic information including their income. We compute the average income of the consumers who buy products in each category. We define a category as “high-income” if the average income in the category is above the median income among all categories. In Panel C of Table XII we separately run our main specifications for high vs low-income categories. All our results are stronger, and statistically significant, for the high-income categories.

Overall, the evidence in this section provides insight into where PE finds positive NPV projects. PE firms are more successful when target firms have higher market power and more popularity among high-income consumers. Innovation efforts seem also more pronounced in categories with lower concentration and potentially lower barriers to entry. These results complement our previous evidence on PE deal selection (Table A5). PE selects categories that are less concentrated and more popular among high-income consumers. In these same categories—as shown in Table XII—PE is able to achieve more innovation and higher growth.

Our evidence in Subsections VII.B to VII.F investigates heterogeneous effects of PE treatment. In Appendix Table A14, we introduce multivariate specifications where we jointly test for the relative importance of all the factors previously analyzed (e.g., private vs. public status). In Panel A, we report correlation coefficients between these factors. We find low correlations among all these variables. For example, the correlation between product categories from public firms and from low SA index (or most financially constrained firms) is

equal to -6.9%. All the other correlations range from -20.1% to 7.2%. Consistent with these low correlations, we find that our major findings are also confirmed in these multivariate settings. For example, in Panel B we document that growth in sales, prices, and unit sold are higher for private firms, more financially constrained firms, firms with high market shares, and targets of growth PE firms. In Panels C and D, we present similar results for product innovation and geographic availability. Taken altogether this evidence suggests that the channels previously documented are independently relevant.

### *G. Company Strategy and Investments*

What specific levers do PE firms pull to spur growth? We examine three specific actions: corporate acquisitions, product advertising, and price change frequency. In Table XIII, Panel A, we investigate private equity target acquisitiveness after the deal. We collect from Capital IQ all M&A transactions where the buyer is one of the 236 firms in our sample or a matched control firm. We find 651 such deals that close between two years before to five years after the PE deal, 361 by target firms and 290 by control firms. Our outcome variable is the number of monthly acquisitions closed by the firm. We keep in the sample only firms that have made at least one acquisition in Capital IQ. The regression follows equation 1. We find that target firms indeed become more active buyers post-deal, increasing the number of acquisitions per month by 0.016, which translates roughly to one additional deal over the next five years. This result holds whether targets are public or private and during or after the financial crisis.

This evidence is consistent with the finding in Davis et al. (2014b) that acquisitions are a driver of growth in private equity deals. We thus study further to what extent external growth drives our results. This is an important test, because we can investigate if PE

firms simply redraw target firm boundaries or if they generate new products and markets. Creation is arguably better for society than reshuffling product property rights. We describe this analysis in detail in the Appendix Section III and present its results in Appendix Tables A9 and A10. Although acquisitions clearly drive some growth, we still find economically and statistically significant growth for non-acquisitive firms. That said, external acquisitions do play an important role in our results and thus temper the potential positive social welfare interpretation of the growth originating from PE deals.

Another channel through which firms can achieve sales growth is investing in advertising. We compile data from Ad\$pender by Kantar Media, which records the dollar value of monthly advertising expenses for over 3 million brands across 18 major communication media (e.g., television, magazines, radio, newspapers). Ad\$pender aggregates these brands to the firm level. The data reported by Kantar Media is sparse with many missing observations. To smooth the data, we take the average monthly advertising expenditure when reported and annualize it. We keep only firm-year data where advertising expenditure is reported for at least one month of the year. We are able to identify monthly spending for 203 out of our 236 treated firms. We then run a generalized diff-in-diff regression between the treated firms and the matched control firms where the dependent variable is the log of one plus the annualized monthly advertising expenditure. We report these results in Panel B of Table XIII. After the deals, treated firms increase advertising expenses by roughly 49% compared to their matched control firms. This result is similar across public and private firms, and it is stronger in the years following the financial crisis (2011 to 2015).

Finally, we test if PE targets more actively manage prices and, hence, increase the price volatility of their products after the deals. Price dispersion could increase because of changes in pricing strategies of existing products or because of changes to the product mix or geo-

graphic availability. To isolate the effects on individual UPCs, we conduct our analysis at the product-store level. For each product in each store, we compute the standard deviation of prices during the 2 years before the PE deal, and we compare it to the standard deviation of prices during the 5 years after the deal. We present these results in Panel C of Table XIII. Compared to matched products sold in the same store-category, target firms' products display higher standard deviation of price after the deal. Post-deal price dispersion increases by 9.4 cents or 13% of the unconditional standard deviation of prices before the deal.

We next study if this price dispersion varies based on economic conditions or product-category characteristics. First, standard deviation of prices is higher for products in deals that are completed during the great financial recession vs. deals completed afterwards. The interaction term between our diff-in-diff coefficient and an indicator variable equal to one for deals completed in the years 2007–2010 is positive and highly statistically significant. This evidence suggests PE firms try to more actively adjust prices in bad economic conditions. Second, price dispersion is higher for products in low HHI industries. This results is consistent with our previous evidence in Table XII that target firms growth faster in low HHI product categories with lower barriers to entry. Last, price dispersion is not different—at conventional statistical significance levels—in high vs. low market share product categories. With the caveat that we do not observe how prices are negotiated between retailers and producers (the target firms in our study), our evidence seems to suggest that post-deal target firms are more active in setting prices.

To sum up, PE target firms are more likely to acquire other firms, ramp up advertising, and more frequently adjust prices following deals. Consistent with our previous evidence, these results suggests that PE firms provide both managerial expertise and financial resources to spur target firm growth. While we cannot comment on their cost-benefit trade-offs, these

activities are concrete examples of changes to target firm strategy implemented after the deal.

### *H. Non-PE Ownership Changes*

Are the changes that follow PE deals unique to PE buyers, or do acquisitions by operating firms have the same effect? To test if non-PE acquisitions also lead to growth, we repeat our main analyses on sales and prices, product innovation, and geographic availability, replacing PE firms' targets with merger targets.

We collect from Capital IQ all the target firms of M&A deals during our sample period. Repeating our process for PE targets, we match these firms first with the GS1 database and then with the Nielsen data. Our final sample of M&A targets consist of 126 firms. For each M&A target firm, we find the closest match using the process described in section IV.B.

Appendix Table A8 mimics Tables III, IV, and V, examining what happens to targets following an acquisition by an operating firm. The results in this setting are quite different compared to PE deals. Most coefficients on the *After* variable are not significantly different from zero.

In stark contrast to PE deals, operational M&As do not seem to lead to growth in our sample. Some M&A deals could happen to eliminate competition. For example, Cunningham et al. (2019) find that pharmaceutical firms discontinue acquired drugs that directly compete with their existing products. One caveat in interpreting these M&A results is that some of the growth prospects that the target would have pursued as a standalone firm could instead be implemented under the acquiring firm brand names. Nevertheless, these results suggest it is PE firms specifically—and not any change in ownership—that spur growth.

## VIII. Conclusion

Private equity deals often elicit strong negative reactions. A common view is that PE firms try to increase corporate profitability by laying off workers and increasing prices, hurting stakeholders such as workers and consumers. Private equity is undoubtedly exercising a growing influence on consumer products and the purchases of millions of people. Using price and sales data for nearly two million unique UPCs sold in over 41,000 stores, we formally investigate the effects of PE firms on consumer products.

Retail scanner data has several nice features. First, we are able to study the evolution of pricing strategies, product innovation, and geographic availability following a deal. Second, we can more precisely identify treated units and their counterfactuals in our empirical analyses. In our difference-in-differences estimations, we analyze firms but also decompose them into product categories and products sold within a particular store. This granularity helps curtail—although it does not fully eliminate—the concern that PE firms might simply select units that are poised to grow faster. Ultimately, the better our counterfactuals, the more credibly we can interpret our results as PE firm treatment rather than selection. Last, thanks to the geographic richness of the data, we can also investigate how competitors react by comparing price changes in locations with and without a brand acquired by PE firms.

Contrary to the critics' view, we find that target firms raise prices only marginally. Compared to similar products sold in the same store, target firms raise prices by about 1.0% in the five years following the deal. Competitors respond by also marginally raising prices, by roughly 0.4%, only in those stores where they face direct PE competition. Despite the marginal increase in the price of existing products, target firms experience a significant boom in their sales of about 50% in the years post-deal. Compared to matched firms, target firms launch more products, expand more geographically, and enter more retail chains.

To find clues as to how PE firms might spur this growth, we explore heterogeneity in target firms, PE firms, economic environments, and product categories. Growth is stronger for private, small, and young targets, firms that likely demand more access to capital and management expertise. PE firms' product strategies vary with the economic environment: there is more product turnover during the financial crisis; normal times bring lower prices on existing products. PE firms are particularly successful in product categories where they hold a strong position in a fragmented market, and in categories popular among high-income consumers. Target firms become more acquisitive following the PE deals, but organic growth is also meaningful. Last, target firms more aggressively advertise and adjust prices. Collectively, these results suggest that PE firms spur growth by both alleviating financial constraints and providing managerial expertise.

Overall, our evidence in consumer product markets does not support the traditional view of PE firms relying largely on “cut to the bone” strategies. We in fact document a large increase in product offerings and geographic availability. While other studies have documented that consumers value higher product variety and availability (Lancaster (1990), Kahn and Lehmann (1991), Petrin (2002), Brynjolfsson et al. (2003), and Broda and Weinstein (2006)), investigating if PE firms increase consumer welfare is beyond the scope of this paper.

Our findings are limited to one “industry” and might not necessarily generalize outside of the consumer product space. Nonetheless, this industry is highly visible in the day-to-day lives of consumers and plays an important role in popular and media perception of Private Equity firms.

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**Table I. Example of Product Category: Canned Green Beans**

List of canned green bean products available in a specific grocery store in Austin, TX, for the month of December 2007.

<b>UPC</b>	<b>Product Details</b>	<b>Firm Name</b>	<b>Size (Oz.)</b>	<b>Units Sold</b>	<b>Sales</b>	<b>Av. Price</b>
2400016286	Cut Green Beans	Del Monte Foods Inc.	14.5	109.43	101.88	0.92
2400016287	Cut Green Beans (No Salt)	Del Monte Foods Inc.	14.5	86.14	81.68	0.92
2400016289	French Style Green Beans	Del Monte Foods Inc.	14.5	51.00	49.89	0.94
2400016293	Whole Green Beans	Del Monte Foods Inc.	14.5	37.29	39.15	1.05
2000011197	Cut Green Beans	General Mills, Inc.	14.5	30.43	30.12	0.99
2400001546	French Style Green Beans	Del Monte Foods Inc.	28.0	16.71	21.90	1.31
3470001219	Cut Italian Green Beans	Sager Creek Vegetable Co.	28.0	11.29	18.96	1.68
3470001211	Cut Italian Green Beans	Sager Creek Vegetable Co.	16.0	21.57	18.34	0.85
3470001211	Cut Italian Green Beans	Sager Creek Vegetable Co.	14.5	21.57	18.34	0.85
2400039364	Pickled Green Beans with Dill Flavor	Del Monte Foods Inc.	14.5	15.29	18.05	1.13
2000011196	French Style Green Beans	General Mills, Inc.	14.5	17.29	17.11	0.99
2400001830	Cut Green Beans	Del Monte Foods Inc.	28.0	5.57	7.30	1.31
2400016290	French Style Green Beans (No Salt)	Del Monte Foods Inc.	14.5	7.14	7.04	0.95
2400001393	Cut Green Beans	Del Monte Foods Inc.	8.0	8.14	5.94	0.73
2400000087	Cut Green Beans (No Salt)	Del Monte Foods Inc.	8.0	3.71	2.71	0.73
2400016292	French Style Green Beans with Onions	Del Monte Foods Inc.	14.5	1.00	1.05	1.05
2400039201	Organic Cut Green Beans	Del Monte Foods Inc.	14.5	0.29	0.49	1.73

**Table II. Summary Statistics**

This table presents summary statistics for all variables and data used in the paper. Panel A introduces an overview of the number of products, stores, firms, and private equity deals in the overall Nielsen data. Panel B shows the characteristics of the product categories in the Nielsen data. We calculate the Herfindahl-Hirschman Index (HHI) for each of the 1,123 product categories, each month. Panel C presents firm characteristics in the overall Nielsen data. Panels D focuses on product characteristics split by treatment status.

PANEL A: Overall Nielsen Data

	N.		N.
Products	1,977,481	Stores	42,928
Stores per Product	571	Chains	91
Products per Store	18,909	3-Digit ZIP	877
Firms	52,205	Counties	276
PE Deals	236	Designated Market Areas	206
Private Target Deals	222	States	49
Public Target Deals	14		

PANEL B - Product Category Characteristics

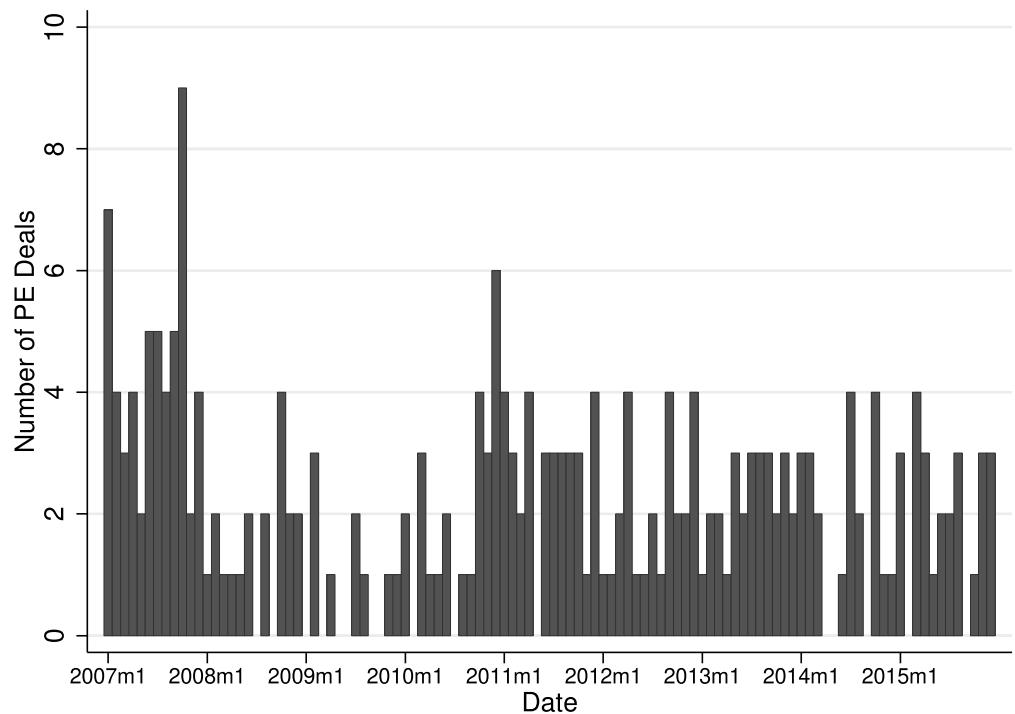
	Mean	Median	S.D.
N. Categories	1,127	-	-
N. Products per Category	20.80	8.07	38.04
N. Stores per Category	30,123	36,762	12,821
N. Firms per Category-Store	4.43	2.00	5.94
Herfindahl-Hirschman Index (HHI)	0.60	0.57	0.34

PANEL C - Firm Characteristics

	Mean	Median	S.D.
N. Products per Firm	10.22	3.00	41.22
N. Stores per Firm	1,345.82	62.00	4,177.03
N. Chains per Firm	8.83	3.00	14.78
N. Categories per Firm	2.87	1.00	6.42

PANEL D - Product Characteristics in Our Sample by Treatment

	Control Group			Treated Group		
	Mean	Median	S.D.	Mean	Median	S.D.
Price	5.33	3.99	5.16	5.19	3.76	5.34
Monthly Units Sold per Store	8.51	1.00	42.26	8.62	1.00	39.40
Monthly Sales per Store	20.42	4.96	106.36	19.64	4.99	81.67



**Figure 1. Private Equity Deals over Time**

This figure shows the monthly number of private equity deals in our sample from January 2007 to December 2015.

**Table III. Private Equity, Sales, and Prices**

This table presents OLS coefficient estimates from regressing logs of sales, average monthly prices, and units sold on *After*, a dummy variable equal to one for post-deal months for target firms (Panel A), firm-categories (Panel B), or product-stores (Panel C) that underwent a PE deal during our sample period. We use the Abadie and Imbens (2006) distance metric to pair each treated unit with the closest untreated unit. In Panels A and B, we match on sales, unique UPCs sold, and store locations, all during the most recent pre-deal month, and growth in monthly sales from 12 months before the deal to the most recent pre-deal month. In Panel C, we match store-products using average price and units sold during the most recent pre-deal month, and growth in price and units sold from 12 months ago to the most recent pre-deal month. The unit of analysis is unique at the firm-month-cohort level in panel A, at the firm-product category-month-cohort level in panel B, and at the product-store-month-cohort level in panel C. The estimation period goes from -24 months to +60 months around the private equity deal closing date. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Panel A: Within Firm

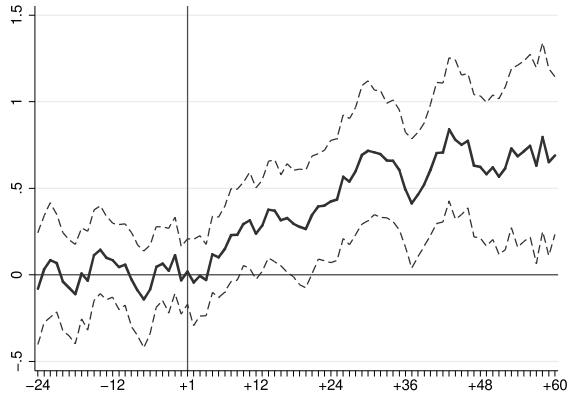
	Sales	Average Prices	Number of Units Sold
After	0.406*** (3.59)	0.053*** (2.86)	0.355*** (3.43)
Adj. R-Square	0.876	0.933	0.893
N. Obs.	31,596	31,596	31,596
Firm-Cohort FE	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes

Panel B: Within Firm-Category

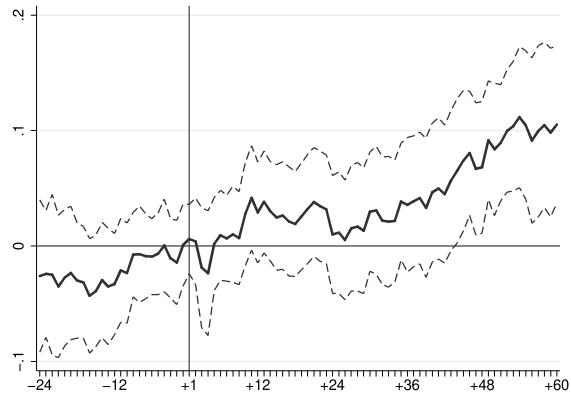
	Sales	Average Prices	Number of Units Sold
After	0.211*** (3.58)	0.032*** (3.76)	0.169*** (3.14)
Adj. R-Square	0.868	0.918	0.884
N. Obs.	224,454	224,454	224,454
Firm-Cat.-Cohort FE	Yes	Yes	Yes
Date-Cat.-Cohort FE	Yes	Yes	Yes

Panel C: Within Product-Store

	Sales	Price	Number of Units Sold
After	0.013 (0.76)	0.011** (2.35)	0.002 (0.15)
Adj. R-Square	0.637	0.797	0.773
N. Obs.	880,331,932	880,331,932	880,331,932
Product-Store-Cohort FE	Yes	Yes	Yes
Date-Store-Cohort FE	Yes	Yes	Yes



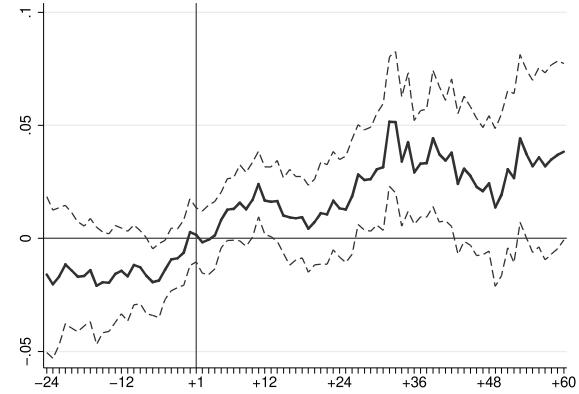
(a) Sales - Within Firm



(b) Price - Within Firm



(c) Sales - Within Firm-Category



(d) Price - Within Firm-Category

**Figure 2. Time Trend of Total Sales and Average Price**

These graphs plot the coefficient estimates of regressions following equation (2), where the dependent variables are total sales for panels (a) and (c) and average price for panels (b) and (d). The unit of analysis is a firm-month-cohort for panels (a) and (b) and a firm-category-month-cohort for panels (c) and (d). The coefficient estimate at time  $t$  represents the difference in the outcome variables between target firms/firm-categories and matched control firms/firm categories  $t$  months away from the date of closing of the private equity deal. The estimation period goes from -24 months to +60 months around the date of the closing of the private equity deal. The closing date is indicated by the vertical line. The dotted lines show the 90% confidence interval.

**Table IV. Private Equity and Product Innovation**

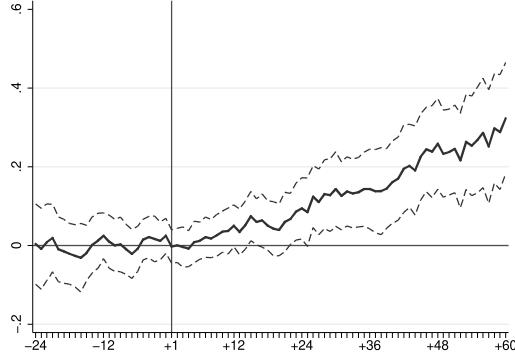
This table presents OLS coefficient estimates from regressing innovation variables on *After*, a dummy variable equal to one for the post-PE deal months for target PE deal during our sample period. *Number of Products* is the log of the number of unique UPCs a firm or firm-category sells nationwide in month  $t$ . *New products* is the number of products introduced by the firm or firm-category in month  $t$ , while *Discontinued Products* is the number of products dropped in month  $t$ . *Number of Categories* is the log of the number of product categories, out of a total of 1,127 defined by Nielsen, in which a firm sells at time  $t$ . Each cohort is a pair of treated-untreated firms (panel A) or firm-categories (panel B). Treated and control are matched as described in Table III. The unit of analysis is unique at the firm-month-cohort level in panel A and at the firm-category-month-cohort level in panel B. The estimation period goes from -24 months to +60 months around private equity deal closing date. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A: Within Firm

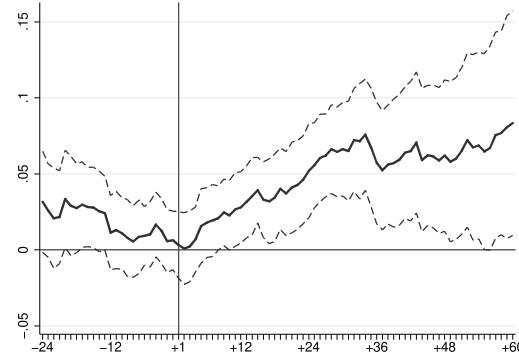
	Number of Products	New Products	Discont. Products	Number of Categories
After	0.104*** (3.12)	0.393** (2.06)	0.159 (1.11)	0.051** (2.22)
Adj. R-Square	0.942	0.514	0.739	0.950
N. Obs.	31,596	31,596	31,596	31,596
Firm-Cohort FE	Yes	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes	Yes

Panel B: Within Firm-Category

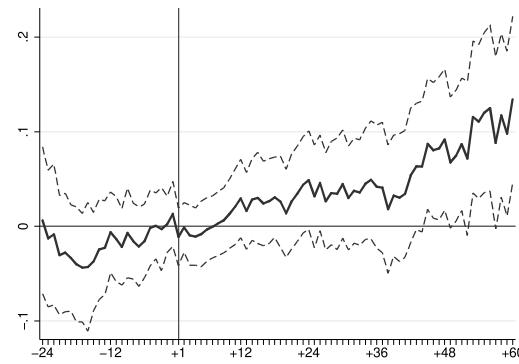
	Number of Products	New Products	Discont. Products
After	0.025** (2.13)	0.048** (2.41)	0.034* (1.77)
Adj. R-Square	0.920	0.530	0.727
N. Obs.	224,454	224,454	224,454
Firm-Cat.-Cohort FE	Yes	Yes	Yes
Date-Cat.Cohort FE	Yes	Yes	Yes



(a) Number of Products - Within Firm



(b) Number of Products - Within Firm-Category



(c) Number of Product Categories - Within Firm

**Figure 3. Time Trend of Product Innovation**

These graphs plot the coefficient estimates of regressions following equation 2, where the dependent variables are number of products for panels (a) and (b) and number of product categories for panel (c). The unit of analysis is a firm-month-cohort for panels (a) and (c), and a firm-category-month-cohort for panel (b). The coefficient estimate at time  $t$  represents the difference in the outcome variables between private equity firms/firm-categories and matched non-PE firms/firm categories  $t$  months away from the date of closing of the private equity deal. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The closing date is indicated by the vertical line. The dotted lines show the 90% confidence interval.

**Table V. Private Equity and Geographic Availability**

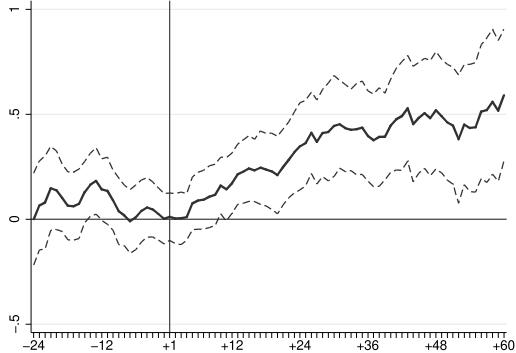
This table presents OLS coefficient estimates from regressing the logs of number of stores, retail chains, and 3-digit ZIP codes where a target firm or firm-category is present each month on *After*, a dummy variable equal to one for the post-PE deal months for firms (Panel A) or firm-categories (Panel B) that underwent a PE deal during our sample period. Each cohort is a pair of treated-untreated firms (Panel A) or firm-categories (Panel B). Treated and control are matched as described in Table III. The unit of analysis is unique at the firm-month-cohort level in panel A and the firm-category-month-cohort level in panel B. The estimation period goes from -24 months to +60 months around the private equity deal closing date. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A. Within Firm

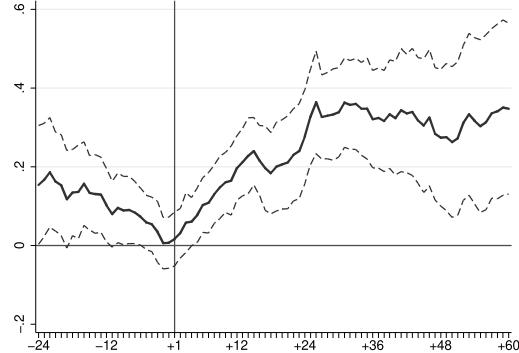
	N. Stores	N. Chains	N. ZIP Codes
After	0.223*** (3.07)	0.098*** (3.28)	0.129** (2.47)
Adj. R-Square	0.907	0.951	0.899
N. Obs.	31,596	31,596	31,596
Firm-Cohort FE	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes

Panel B. Within Firm-Category

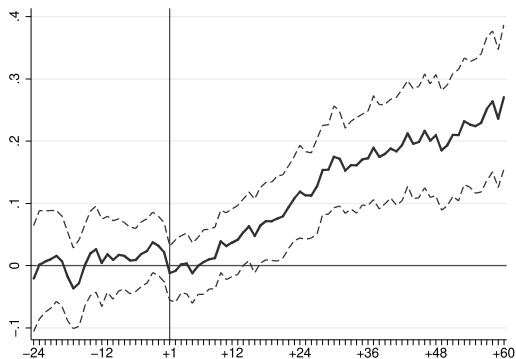
	N. Stores	N. Chains	N. ZIP Codes
After	0.130*** (2.93)	0.052*** (2.92)	0.095*** (2.89)
Adj. R-Square	0.889	0.920	0.882
N. Obs.	224,454	224,454	224,454
Firm-Category-Cohort FE	Yes	Yes	Yes
Date-Category-Cohort FE	Yes	Yes	Yes



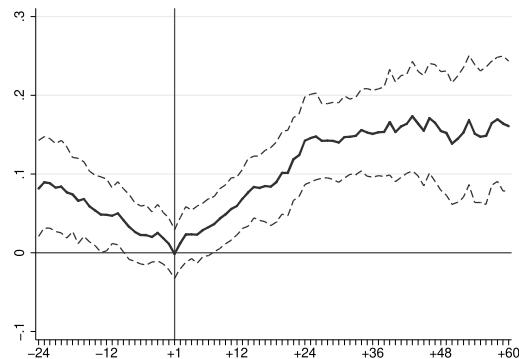
(a) N. Stores - Within Firm



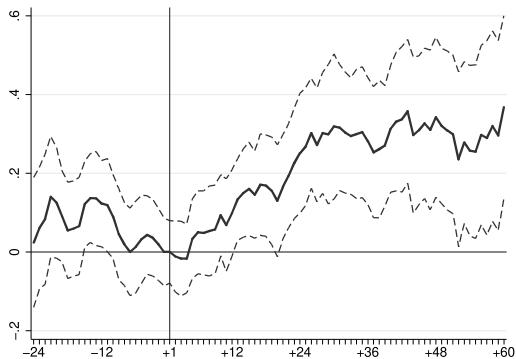
(b) N. Stores - Within Firm-Category



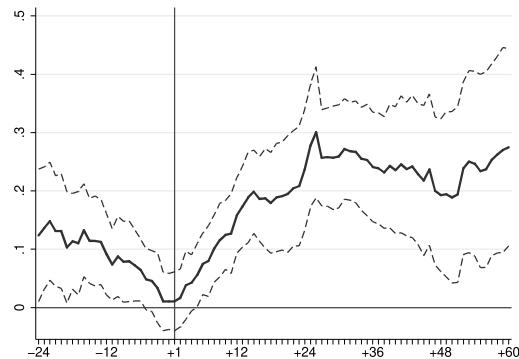
(c) N. Retail Chains - Within Firm



(d) N. Retail Chains - Within Firm-Category



(e) N. 3-digit ZIPs - Within Firm



(f) N. 3-digit ZIPs - Within Firm-Category

**Figure 4. Time Trend of Geographic Availability**

These graphs plot the coefficient estimates of regressions following equation 2, where the dependent variables are number of stores for panels (a) and (b), the number of retail chains for panels (c) and (d), and the number of 3-digit ZIPs for panels (e) and (f). The unit of analysis is a firm-month-cohort for panels (a), (c), and (e), and a firm-category-month-cohort for panels (b), (d), and (f). The coefficient estimate at time  $t$  represents the difference in the outcome variables between PE firms/firm-categories and matched non-PE firms/firm categories  $t$  months away from the closing date of the private equity deal. The estimation period goes from -24 months to +60 months around the date of the closing of the private equity deal. The closing date is indicated by the vertical line. The dotted lines show the 90% confidence interval.

**Table VI. Competitor Response**

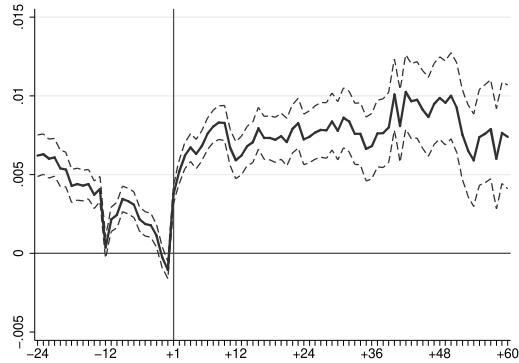
This table presents evidence from product-stores (Panel A) or firm-categories-stores (Panel B) for the competitors of firms that were acquired by a private equity firm. In Panel A, we present OLS coefficient estimates from regressing the log of average monthly prices on *After*, a dummy variable equal to one in the post-PE deal months if the competitor's product was competing in the same store-category with at least one product that underwent a PE deal during our sample period. Each cohort is thus made of a treated product sold in a store with PE competition and a matched control product—with the same UPC—sold in different stores without private equity competition. In practice, for each treated product we randomly select ten of these stores without PE competition. Among these ten stores, we then choose the closest match based on the level and growth in the product-store price before the deal, using the Abadie and Imbens (2006) distance metric. In Column 1, we randomly choose ten among all the US stores to select the match. In Column 2, we choose the ten stores within the same retail chain of the treated product. In Column 3, the ten stores are from the same Designated Market Area of the treated product. In Panel B, we present OLS estimates from regressing the log of number of products on *After*, a dummy variable equal to one if the treated firm-category was competing with at least one product in the same category that underwent a PE deal during our sample period. Each cohort is thus made of a treated firm-category sold in a store with PE competition and the same firm-category from ten different stores without private equity competition. In Column 1, we randomly choose the ten stores among all the US stores. In Column 2, we choose the ten stores within the same retail chain of the treated firm-category. In Column 3, the ten stores are from the same Designated Market Area of the treated firm-category. The unit of analysis is unique at the product-store-month-cohort level in Panel A and the firm-category-store-month-cohort level in Panel B. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Panel A. Prices - Within Product-Store

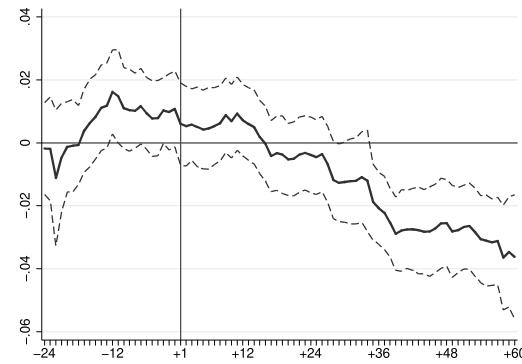
	Full Sample	Same Chain	Same DMA
After	0.004*** (6.06)	0.004*** (8.57)	0.003*** (5.69)
Adj. R-Square	0.987	0.991	0.988
N. Obs.	6,647,108	5,713,080	5,269,109
Product-Store-Cohort FE	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes

Panel B. Number of Products - Within Firm-Category-Store

	Full Sample	Same Chain	Same DMA
After	-0.015*** (-10.14)	-0.010*** (-4.30)	-0.021*** (-10.19)
Adj. R-Square	0.924	0.957	0.937
N. Obs.	25,200,128	12,724,588	12,191,146
Firm-Category-Store-Cohort FE	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes



(a) Competitor price response



(b) Competitor product mix response

**Figure 5. Trend in Competitor Response**

These figures plot the coefficient estimates of regressions following equation 2, where the dependent variables are average monthly prices for panel (a) and number of products for panel (b). The coefficient estimate at time  $t$  represents the difference in the outcome variables between treated product-stores/firm-category-stores and matched controls  $t$  months away from the date of closing of the private equity deal. This sample only includes product-stores/ firm-category-stores for control firms that did not go through a private equity deal. In panel (a), each cohort is made of a treated product that is sold in a store-category where a private equity deal occurred, and the best match (with the same UPC) but selected from ten random stores across the US where there is no private equity competitor. In panel (b), each cohort is made of a firm-category where the PE deal occurred, and the average of the same firm-category from ten random stores across the US where there is no private equity competitor. The estimation period goes from -24 months to +60 months around the date of the closing of the private equity deal. The closing date is indicated by the vertical line. The dotted lines show the 90% confidence interval. Regressions are estimated using the fixed point iteration procedure implemented by Correia (2014).

**Table VII. Mechanism: Press Releases**

This table shows the number (and percentage) of press releases that mention a specific reason for the private equity deal. Out of a total of 236 deals, we were able to find press releases that mentioned specific reasons for 148 deals. Reasons are not mutually exclusive and one press release could mention multiple reasons. We compute percentages out of the total number of informative press releases (148).

Reason	N. Deals	(%)
Expansion Plans/General Growth	127	(86%)
Financial Capital for Growth	50	(34%)
Industry Experience/Expertise	48	(32%)
New Products	39	(26%)
Acquisitions	25	(17%)
Distribution	21	(14%)
New Management/CEO	18	(12%)
Cost Efficiencies	7	(5%)
Access To Talent	2	(1%)

**Table VIII. Mechanisms: Public vs. Private Targets**

This table presents OLS coefficient estimates from regressing, in Panel A, logs of sales, average monthly prices, and units sold on *After*, a dummy equal to one in the post-PE deal months if the firm, firm-category, or product-store underwent a PE deal during our sample period. In Panel B we focus on product innovation, in Panel C geographic availability. Public targets are those deals where the target was a public company before the private equity acquisition. Each cohort is a pair of treated-untreated firms, firm-categories, or product-stores where the treated unit is matched to the untreated unit using the same methodologies followed in the previous tables. The unit of analysis is unique at the firm-month-cohort, firm-category-month-cohort, or product-store-month-cohort. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A: Sales, Pricing, and Units

		Public Target			Private Target		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	Sales	0.214	(0.53)	2,088	0.420***	(3.54)	29,508
	Average Prices	0.046	(0.94)	2,088	0.053***	(2.73)	29,508
	Units Sold	0.119	(0.36)	2,088	0.372***	(3.41)	29,508
Within Firm-Category	Sales	-0.074	(-0.43)	24,820	0.247***	(4.09)	199,634
	Average Prices	-0.014	(-0.72)	24,820	0.038***	(4.16)	199,634
	Units Sold	-0.059	(-0.40)	24,820	0.198***	(3.55)	199,634
Within Product-Store	Sales	-0.063*	(-1.95)	307,133,126	0.055***	(5.01)	554,415,032
	Prices	0.020**	(2.27)	307,133,126	0.007	(1.39)	554,415,032
	Units Sold	-0.059**	(-2.09)	307,133,126	0.035***	(4.67)	554,415,032

Panel B: Product Innovation

		Public Target			Private Target		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. of Products	0.060	(0.47)	2,088	0.107***	(3.09)	29,508
	New Products	1.766	(1.12)	2,088	0.296*	(1.78)	29,508
	Discontinued Products	-0.424	(-0.43)	2,088	0.201	(1.48)	29,508
	Number of Categories	-0.078	(-0.90)	2,088	0.060**	(2.53)	29,508
Within Firm-Category	N. of Products	-0.008	(-0.22)	24,820	0.029**	(2.36)	199,634
	New Products	0.181	(1.51)	24,820	0.032**	(1.98)	199,634
	Discontinued Products	0.043	(0.65)	24,820	0.032*	(1.69)	199,634

Panel C: Geographic Availability

		Public Target			Private Target		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. Stores	0.205	(0.98)	2,088	0.224***	(2.93)	29,508
	N. Chains	-0.080	(-1.43)	2,088	0.110***	(3.49)	29,508
	N. Zip	0.057	(0.37)	2,088	0.134***	(2.44)	29,508
Within Firm-Category	N. Stores	-0.116	(-0.97)	24,820	0.161***	(3.52)	199,634
	N. Chains	-0.086	(-1.61)	24,820	0.069***	(3.96)	199,634
	N. Zip	-0.096	(-1.11)	24,820	0.119***	(3.50)	199,634

**Table IX. Mechanisms: Financial Constraints - Size and Age (SA) Index**

This table presents OLS coefficient estimates from regressing, in Panel A, logs of sales, average monthly prices, and units sold on *After*, a dummy equal to one in the post-PE deal months if the firm, firm-category, or product-store underwent a PE deal during our sample period. In Panel B we focus on product innovation. In Panel C we study geographic availability. Each cohort is a pair of treated-untreated firms, firm-categories, or product-stores where the treated unit is matched to the untreated unit using the same methodologies followed in the previous tables. The unit of analysis is unique at the firm-month-cohort, firm-category-month-cohort, or product-store-month-cohort. The SA index is defined as “high” if the firm is in the top half of both the age and size distributions, as “low” if the firm is in the bottom half of both the age and size distributions, and as “medium” otherwise. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A: Sales, Pricing, and Units

		High SA Index (Least Constrained)			Medium			Low SA Index (Most Constrained)		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	Sales	-0.063	(-0.56)	7,766	0.481***	(2.79)	17,160	0.711***	(2.97)	6,456
	Average Prices	0.014	(0.74)	7,766	0.097***	(3.35)	17,160	-0.016	(-0.39)	6,456
	Units Sold	-0.054	(-0.50)	7,766	0.377**	(2.37)	17,160	0.719***	(3.43)	6,456
Within Firm-Category	Sales	0.205***	(2.72)	91,562	0.202**	(2.17)	114,474	0.561**	(2.47)	14,470
	Average Prices	0.036***	(2.95)	91,562	0.023*	(1.77)	114,474	0.074**	(2.13)	14,470
	Units Sold	0.162**	(2.44)	91,562	0.167*	(1.93)	114,474	0.470***	(2.67)	14,470
Within Product-Store	Sales	0.0215	(0.69)	459M	0.008	(0.57)	391M	-0.037	(-1.05)	7M
	Average Prices	0.013**	(2.37)	459M	0.011	(1.40)	391M	-0.021	(-1.65)	7M
	Units Sold	-0.001	(-0.04)	459M	0.007	(0.76)	391M	-0.02	(-1.28)	7M

Panel B: Product Innovation

		High SA Index (Least Constrained)			Medium			Low SA Index (Most Constrained)		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. of Products	0.028	(0.75)	7,766	0.113**	(2.27)	17,160	0.160*	(1.98)	6,456
	New Products	0.440	(0.87)	7,766	0.338	(1.51)	17,160	0.467	(1.61)	6,456
	Discont. Products	0.475	(1.05)	7,766	-0.003	(-0.02)	17,160	0.148	(0.92)	6,456
	N. of Categories	0.087***	(2.65)	7,766	0.034	(0.96)	17,160	0.037	(0.74)	6,456
Within Firm-Category	N. of Products	0.017	(1.18)	91,562	0.021	(1.15)	114,474	0.188***	(4.34)	14,470
	New Products	0.046*	(1.74)	91,562	0.039	(1.51)	114,474	0.164	(1.19)	14,470
	Discont. Products	0.050	(1.30)	91,562	0.015	(0.89)	114,474	0.083	(1.15)	14,470

Panel C: Geographic Availability

		High SA Index (Least Constrained)			Medium			Low SA Index (Most Constrained)		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. Stores	0.050	(0.91)	7,766	0.151	(1.39)	17,160	0.602***	(3.52)	6,456
	N. Chains	0.090***	(2.84)	7,766	0.060	(1.37)	17,160	0.204***	(2.78)	6,456
	N. Zip	0.044	(1.33)	7,766	0.086	(1.12)	17,160	0.350**	(2.60)	6,456
Within Firm-Category	N. Stores	0.121**	(2.22)	91,562	0.123*	(1.77)	114,474	0.459**	(2.59)	14,470
	N. Chains	0.040	(1.59)	91,562	0.068***	(2.67)	114,474	0.108*	(1.83)	14,470
	N. Zip	0.092**	(2.13)	91,562	0.082	(1.63)	114,474	0.374***	(2.69)	14,470

**Table X. Mechanisms: Private Equity Firm Type**

This table presents OLS coefficient estimates from regressing, in Panel A, logs of sales, average monthly prices, and units sold on *After*, a dummy equal to one in the post-PE deal months if the target firm, firm-category, or product-store underwent a PE deal during our sample period. In Panel B we focus on product innovation. In Panel C we study geographic availability. The columns “Growth PE” include results from private equity deals where at least one of the the private equity firms is classified as having expertise in Growth Capital deals by Capital IQ. Columns “Non-Growth PE” include results from private equity deals where none of the private equity firms is classified as having expertise in Growth Capital deals by Capital IQ. Each cohort is a pair of treated-untreated firms, firm-categories, or product-stores where the treated unit is matched to the untreated unit using the same methodologies followed in the previous tables. The unit of analysis is unique at the firm-month-cohort, firm-category-month-cohort, or product-store-month-cohort. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A: Sales, Pricing, and Units

		Growth PE Firms			Non-Growth PE Firms		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	Sales	0.549***	(4.36)	19,878	0.170	(0.75)	10,566
	Average Prices	0.079***	(3.36)	19,878	0.043	(1.43)	10,566
	Units Sold	0.470***	(4.10)	19,878	0.138	(0.65)	10,566
Within Firm-Category	Sales	0.363***	(5.62)	139,764	-0.124	(-0.94)	72,942
	Average Prices	0.038***	(3.91)	139,764	0.020	(1.07)	72,942
	Units Sold	0.307***	(5.26)	139,764	-0.142	(-1.18)	72,942
Within Product-Store	Sales	0.001	(0.02)	425,662,486	0.027	(1.57)	411,874,912
	Prices	0.004	(0.79)	425,662,486	0.021***	(3.11)	411,874,912
	Units Sold	-0.015	(-0.60)	425,662,486	0.019*	(1.70)	411,874,912

Panel B: Product Innovation

		Growth PE Firms			Non-Growth PE Firms		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. of Products	0.165***	(4.13)	19,878	-0.006	(-0.10)	10,566
	New Products	0.550**	(2.11)	19,878	0.106	(0.42)	10,566
	Discontinued Products	0.139	(0.95)	19,878	0.307	(0.97)	10,566
	Number of Categories	0.084***	(2.73)	19,878	-0.010	(-0.29)	10,566
Within Firm-Category	N. of Products	0.054***	(4.14)	139,764	-0.039	(-1.47)	72,942
	New Products	0.048*	(1.85)	139,764	0.056*	(1.78)	72,942
	Discontinued Products	0.024*	(1.75)	139,764	0.072	(1.42)	72,942

Panel C: Geographic Availability

		Growth PE Firms			Non-Growth PE Firms		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. Stores	0.238***	(2.88)	19,878	0.207	(1.46)	10,566
	N. Chains	0.139***	(3.70)	19,878	0.019	(0.38)	10,566
	N. Zip	0.079	(1.40)	19,878	0.230**	(2.17)	10,566
Within Firm-Category	N. Stores	0.262***	(5.14)	139,764	-0.159*	(-1.82)	72,942
	N. Chains	0.082***	(3.62)	139,764	-0.035	(-1.19)	72,942
	N. Zip	0.179***	(4.52)	139,764	-0.092	(-1.53)	72,942

**Table XI. Mechanisms: During (2007-2010) vs. After (2011-2015) the Financial Crisis**

This table presents OLS coefficient estimates from regressing, in Panel A, logs of sales, average monthly prices, and units sold on *After*, a dummy equal to one in the post-PE deal months if the firm, firm-category, or product-store underwent a PE deal during our sample period. In Panel B we focus on product innovation. In Panel C we study geographic availability. The columns “2007-2010” and “2011-2015” include results from private equity deals that closed in those years. Each cohort is a pair of treated-untreated firms, firm-categories, or product-stores where the treated unit is matched to the untreated unit using the same methodologies followed in the previous tables. The unit of analysis is unique at the firm-month-cohort, firm-category-month-cohort, or product-store-month-cohort. The estimation period goes from -24 months to +60 months around the closing date of the private equity deal. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Panel A: Sales, Pricing, and Units

		2007-2010			2011-2015		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	Sales	0.589***	(2.98)	15,390	0.255**	(2.01)	16,206
	Average Prices	0.057*	(1.84)	15,390	0.049**	(2.23)	16,206
	Units Sold	0.514***	(2.88)	15,390	0.223*	(1.89)	16,206
Within Firm-Category	Sales	0.206*	(1.98)	99,864	0.215***	(3.20)	124,590
	Average Prices	0.035**	(2.25)	99,864	0.030***	(3.11)	124,590
	Units Sold	0.177*	(1.95)	99,864	0.163**	(2.54)	124,590
Within Product-Store	Sales	0.045***	(2.68)	465,149,446	-0.021	(-0.73)	415,182,486
	Prices	0.031***	(6.04)	465,149,446	-0.011**	(-2.59)	415,182,486
	Units Sold	0.024**	(2.22)	465,149,446	-0.021	(-0.87)	415,182,486

Panel B: Product Innovation

		2007-2010			2011-2015		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. of Products	0.106*	(1.90)	15,390	0.102**	(2.57)	16,206
	New Products	0.603	(1.59)	15,390	0.220	(1.40)	16,206
	Discontinued Products	0.347	(1.43)	15,390	0.004	(0.02)	16,206
	Number of Categories	0.048	(1.25)	15,390	0.054*	(1.94)	16,206
Within Firm-Category	N. of Products	0.026	(1.35)	99,864	0.024	(1.66)	124,590
	New Products	0.082**	(1.99)	99,864	0.024	(1.34)	124,590
	Discontinued Products	0.087**	(2.14)	99,864	-0.004	(-0.31)	124,590

Panel C: Geographic Availability

		2007-2010			2011-2015		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Within Firm	N. Stores	0.308**	(2.50)	15,390	0.153*	(1.82)	16,206
	N. Chains	0.125**	(2.44)	15,390	0.075**	(2.17)	16,206
	N. Zip	0.206**	(2.24)	15,390	0.064	(1.15)	16,206
Within Firm-Category	N. Stores	0.102	(1.43)	99,864	0.150***	(2.73)	124,590
	N. Chains	0.050**	(2.20)	99,864	0.053**	(2.11)	124,590
	N. Zip	0.079	(1.64)	99,864	0.107**	(2.45)	124,590

**Table XII. Mechanism: Industry Structure**

This table presents OLS coefficient estimates from regressing outcome variables on *After*, a dummy equal to one in the post-deal months if the firm-category underwent a PE deal during our sample period. In Panel A, we split results based on the target firm's market share in the product categories. In Panel B, we separately report results based on the concentration (HHI index) in the product categories. In Panel C, we split the evidence based on the popularity of the product categories among high-end consumers. *Market Share* for each firm is its sales divided by total sales, each month, in a particular category. *High* values of *Market Share* are firms above the median in a category-month. *HHI* is the Herfindahl-Hirschman Index of each product category, each month, calculated by squaring and summing the national market shares of each firm in a given category. *High* values of *HHI* are those categories whose *HHI* is above the median that month. Using the Nielsen Consumer Panel, for each product category, we compute the average income of the consumers that buy products in the category. *High-Income Consumers* categories are those categories with weighted average purchaser income above the median income among all categories. Each cohort is a pair of treated-untreated firm-categories where the treated unit is matched to the untreated unit with the closest distance at the time of the private equity deal as described in Table III. The unit of analysis is unique at the firm-category-month-cohort level. The estimation period goes from -24 months to +60 months around the private equity deal closing date. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). T-statistics are in parentheses and standard errors are double-clustered by firm and month. \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Panel A: Market Share in the Product Category

		High Market Share			Low Market Share		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Sales	Sales	0.265***	(3.13)	92,712	0.109	(1.39)	98,920
	Average Prices	0.055***	(5.07)	92,712	0.013	(0.97)	98,920
	Units Sold	0.208***	(2.73)	92,712	0.089	(1.23)	98,920
Within Firm-Category	N. of Products	0.014	(0.80)	92,712	0.043**	(2.57)	98,920
	New Products	0.107**	(2.53)	92,712	0.005	(0.43)	98,920
	Discontinued Products	0.076*	(1.80)	92,712	0.002	(0.26)	98,920
	N. Stores	0.168***	(3.00)	92,712	0.079	(1.27)	98,920
	N. Chains	0.087***	(4.29)	92,712	-0.007	(-0.26)	98,920
	N. Zip	0.128***	(3.53)	92,712	0.058	(1.21)	98,920

Panel B: Product Category Concentration

		High HHI			Low HHI		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Sales	Sales	0.186***	(2.72)	109,800	0.243***	(3.60)	114,490
	Average Prices	0.037***	(3.23)	109,800	0.031***	(3.25)	114,490
	Units Sold	0.152**	(2.41)	109,800	0.193***	(3.14)	114,490
Within Firm-Category	N. of Products	0.010	(0.71)	109,800	0.037**	(2.47)	114,490
	New Products	0.013	(0.69)	109,800	0.075**	(2.52)	114,490
	Discontinued Products	0.041	(1.42)	109,800	0.020	(1.11)	114,490
	N. Stores	0.133**	(2.58)	109,800	0.128**	(2.55)	114,490
	N. Chains	0.041*	(1.89)	109,800	0.066***	(3.10)	114,490
	N. Zip	0.106***	(2.73)	109,800	0.087**	(2.36)	114,490

Panel C: Category Popularity Among High-Income Consumers

		High-Income Consumers			Low-Income Consumers		
		After	T-stat	N. Obs.	After	T-stat	N. Obs.
Sales		0.274***	(3.72)	147,044	0.093	(1.28)	77,410
Average Prices		0.034***	(3.10)	147,044	0.030***	(2.67)	77,410
Units Sold		0.231***	(3.51)	147,044	0.051	(0.74)	77,410
Within Firm-Category	N. of Products	0.026*	(1.86)	147,044	0.023	(1.38)	77,410
	New Products	0.063***	(2.84)	147,044	0.020	(0.65)	77,410
	Discontinued Products	0.055**	(2.17)	147,044	-0.008	(-0.39)	77,410
		0.168***	(3.19)	147,044	0.057	(0.99)	77,410
		0.070***	(3.63)	147,044	0.017	(0.61)	77,410
		0.123***	(3.21)	147,044	0.043	(0.99)	77,410

**Table XIII. Mechanism: Company Strategy and Investments**

This table presents OLS coefficient estimates from regressing outcome variables of interest on *After*, a dummy equal to one in the post-deal months if the firm underwent a PE deal during our sample period. In Panel A, the unit of analysis is unique at the firm-month level. We restrict the sample to firms for which we observe at least one acquisition in Capital IQ. The outcome variable *Acquisitiveness* counts the number of acquisitions closed in a month. In Panel B, the unit of analysis is a firm-year. We restrict the sample to firm-years in which we see at least one month of positive advertising expenditure. The outcome variable is *Advertising Expenditures*, the log of one plus the annualized average monthly advertising expenses for all the brands related to the firm as reported in Ad\$payer by Kantar Media. Each cohort is a pair of treated-untreated firms where the treated unit is matched to the untreated unit with the closest distance at the time of the private equity deal as described in Table III. The estimation period goes from -24 months to +60 months around the private equity deal closing date. In Panel C, the unit of analysis is a product-store-period. A period is either before or after the PE event. The outcome variable is the standard deviation of price for a product in a specific store during the period. T-statistics are in parentheses and standard errors are double-clustered by firm and month in Panel A and B and by firm in Panel C. The regressions are estimated using the fixed point iteration procedure implemented by Correia (2014). \* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

Panel A: Acquisitiveness (within Firm)

	Full Sample	Target		Time Period	
		Public	Private	2006-2010	2011-2015
After	0.016*** (4.71)	0.017 (1.21)	0.016*** (4.47)	0.014*** (3.25)	0.018*** (3.48)
Adj. R-Square	0.107	-0.016	0.112	0.081	0.120
N. Obs.	26,334	1,770	24,564	12,662	13,672
Firm-Cohort FE	Yes	Yes	Yes	Yes	Yes
Date-Cohort FE	Yes	Yes	Yes	Yes	Yes

Panel B: Advertising Expenditures (within Firm)

	Full Sample	Target		Time Period	
		Public	Private	2006-2010	2011-2015
After	0.396** (2.26)	0.499 (1.46)	0.376* (1.84)	0.056 (0.14)	0.330 (1.65)
Adj. R-Square	0.746	0.880	0.721	0.682	0.787
N. Obs.	708	87	621	331	377
Firm-Cohort FE	Yes	Yes	Yes	Yes	Yes
Year-Cohort FE	Yes	Yes	Yes	Yes	Yes

Panel C: Price Adjustments (within Product-Store)

	0.094*** (3.73)	0.039* (1.67)	0.124*** (3.89)	0.077*** (3.67)
After	0.094*** (3.73)	0.039* (1.67)	0.124*** (3.89)	0.077*** (3.67)
After × Financial Crisis		0.100** (2.56)		
After × High HHI			-0.062* (-1.74)	
After × High Market Share				0.036 (0.79)
Adj. R-Square	0.648	0.648	0.648	0.648
N. Obs.	31,427,836	31,427,836	31,427,836	31,427,836
Product-Store-Cohort FE	Yes	Yes	Yes	Yes