

*Referee's Report on "Price Concentration Analysis in Merger Cases with Differentiated Products"*

The authors' objective is to develop a structural econometric model to examine the relationship between prices and concentration in local markets. The model is tested for local firms operating in the UK cinema market. Competition policy implications are then discussed. Essentially, the authors are trying to develop a methodology for defining the relevant market. It appears the main goal is to add rigor to the price-concentration estimation, and show the magnitude of the bias associated with reduced form estimation, such that competition authorities are able to make better informed decisions. Overall, I think the paper is well executed and interesting.

Comments:

1. Section 1:
  - a) I do think you need to motivate the paper a little better. You are developing a structural econometric model, but you have not discussed the theoretical expectations, except for referencing a long list of papers in footnote 3. Thus, you talk about the importance of price-concentration studies but do not discuss the typical results that come out of them and why.
  - b) Moreover, the latter part of the introduction as it stands, where you discuss the econometric specification could be shortened, as you go over this in considerable detail in Section 2. Note that the last sentence of the first paragraph on page 3 is repeated on page 4.
  - c) Your discussion of measures of concentration in the introduction should be footnoted. It is somewhat clumsy where you include it.
2. Section 2: you state that the model follows Barry and Waldfogel (1999). If it directly follows Barry and Waldfogel (1999), then this section could be significantly shortened, or you might consider an Appendix. In other words, is there any novelty to your model? Have you adapted and built on it in any way? Currently, this is not clear.
3. Section 3:
  - a) I would like to see a footnote where you state what the distinguishing features of the London market are such that you exclude the data from your analysis. Who is it that considers London to be so different?
  - b) I would like to see more discussion of the "deprivation index". How was it constructed exactly? And why is it such a "good" instrument?
  - c) Given you do not have data on planning applications, then why even mention this in the main body of the text (page 10). I would footnote it entirely.
4. References: you refer to Manuszak and Moul (2006a) and Manuszak and Moul (2006b) in footnote 3, but these references are not in the bibliography. Please check your reference list!