Acquiring Supplier Networks: Domestic Mergers for International Supply Chain Resilience

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Abstract. Mergers and acquisitions (M&A) are increasingly driven by firms' need to address supply-chain vulnerabilities. We study U.S. mergers from 2007–2020 and identify a novel pattern: domestic acquisitions between firms that import similar inputs from abroad but operate in unrelated industries. These deals, distinct from traditional vertical or horizontal mergers, enable acquirers to diversify their supplier networks. Using granular shipment data from S&P Panjiva, we construct firm-level profiles of imported products and compare actual mergers to synthetic industry-matched control pairs. Our analysis reveals that mergers are significantly more likely when acquirers and targets share similarities in their imported input portfolios—a relationship amplified by supply-chain risk perceptions, trade-policy uncertainty, or broader economic disruptions. Post-merger, acquirers expand their supplier base, increase geographic diversification, and reduce reliance on distant suppliers ("near-shoring"). Shipment frequency rises and order size falls, reducing inventory risk. Micro-level analyses show that acquirers quickly begin sourcing from the target's longstanding suppliers, with adoption probabilities twice as large when the target's relationship exceeds three years, highlighting the value of embedded relational capital. These mergers also generate foreclosure effects. Notably, these mergers exhibit exclusionary effects: deals are more likely when the acquirer's suppliers overlap with those of the target's competitors. Post-merger, rivals reduce purchases from these shared suppliers, while publicly traded targets experience improved valuations and sales growth. Our findings highlight two strategic motives for M&A—securing vetted supplier networks and leveraging market power and demonstrate how supply-chain resilience intersects with both operational efficiency and competitive dynamics in an era of rising geopolitical risks.

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