# The Impact of Digital Platform Acquisition on Firm Value: Does Buying Really Help?

**Research Paper**

Yongli Huang[1], Maximilian Schreieck[1], Alexander Kupfer[1]

[1] University of Innsbruck, Department of Information Systems, Production and Logistics Management, Innsbruck, Austria
yongli.huang@student.uibk.ac.at.
{maximilian.schreieck, alexander.kupfer}@uibk.ac.at

**Abstract.** Even though acquiring digital platforms is a popular growth strategy for corporations, little is known about the effectiveness of digital platform acquisitions. To provide systematic insights, we examined how investors react to announcements of digital platform acquisitions. Accounting for the peculiarities of digital platforms, we analyzed how exploration-oriented motivations and platform maturity moderate the market's returns. We evaluated a global sample of 157 firms using the event study methodology. Our findings reveal that announcements of digital platform acquisitions are generally associated with negative stock market returns due to investor concerns over integration and resource reallocation. However, exploration-oriented acquisitions focused on innovation face a less pronounced negative effect than exploitation-oriented ones, which emphasize efficiency and optimization. Furthermore, acquisitions of mature platforms mitigate negative market returns more effectively than acquisitions of nascent platforms. These results contribute to the literature on digital platform acquisition, offering guidance for firms seeking to optimize acquisition strategies.

**Keywords:** Digital Platform Acquisition, Event Study, Exploration vs. Exploitation, Mature vs. Nascent, Chicken-and-Egg Problem

## 1    Introduction

Digital platform acquisitions are increasingly recognized as a critical component of corporate growth strategies, enabling firms to enhance technological capabilities, enter new markets, and capitalize on network effects (Miric et al., 2020, Zhu and Marco, 2019, Cusumano et al., 2019). These acquisitions are seen as transformative, offering opportunities for firms to expand their ecosystems and strengthen competitive positioning in an increasingly digital economy (Dranev et al., 2019). For example, acquiring a platform with an established user base and network effects can create new growth opportunities (Miric et al., 2020, Cusumano et al., 2019, Dranev et al., 2019).

Existing research on traditional acquisitions presents mixed evidence, with some studies highlighting the positive impact of acquisitions due to synergy realization, innovation potential, and strategic value creation (Dranev et al., 2019, Tang et al., 2022), while

others point to negative or insignificant effects attributed to integration challenges, resource reallocation, and uncertainty about value realization (Agrawal et al., 1992, Moeller et al., 2004). How far these findings apply to digital platform acquisitions remains unclear, given that this type of acquisition might promise greater benefits through the network effects of an established platform but also comes along with a challenging integration of the acquired firm into the focal firm's established business.

The success of digital platform acquisitions might depend on the strategic orientation behind acquisitions (Zhang et al., 2020). Exploration-oriented acquisitions, prioritizing innovation and new opportunities, might be more promising than exploitation-oriented acquisitions, focusing on operational efficiency and incremental refinement (Zhang et al., 2020, March, 1991, Levinthal and March, 1993).

Furthermore, the maturity of digital platforms at the time of the acquisition could be relevant for success. Acquisitions of nascent or underdeveloped platforms may exacerbate challenges such as the "chicken-and-egg" problem, where building network effects and scaling user bases require significant time and resources, leading to market skepticism and negative reactions (Wu, 2022). Despite the growing prevalence of digital platform acquisitions, there remains a limited understanding of their impact on a firm's performance and how moderating factors, such as exploration orientation and platform maturity, influence this effect. To address this gap, we pose the following research questions, using a firm's stock market return as a proxy for future performance: *How do digital platform acquisitions affect a firm's stock market return? And how do exploration-oriented motivations and platform maturity moderate the stock market's reaction to these acquisitions?*

Using an event study methodology, we examine the cumulative average abnormal returns (CAARs) for a global sample of 157 firms to assess the impact of digital platform acquisitions on the stock market. The findings reveal that digital platform acquisition announcements are often accompanied by negative market returns, possibly reflecting concerns about high cost, integration challenges and value realization. However, these effects appear less pronounced when the acquisitions involve exploration-oriented strategies or mature platforms. Exploration-oriented acquisitions, which emphasize innovation and future growth opportunities, are perceived more favorably by investors than those focused on exploitation and efficiency. Similarly, acquisitions of mature platforms, characterized by established network effects and reduced integration risks, elicit less negative or even positive market returns compared to acquisitions of nascent platforms.

This study contributes to the literature on mergers and acquisitions (M&A), digital platform strategies, and investor behavior by offering novel insights into how acquisition intent and target platform characteristics influence stock market returns. Specifically, it highlights the nuanced role of exploration-oriented motivations and the maturity of the acquired firm. For firms, the results underscore the critical importance of framing digital platform acquisitions around exploratory objectives and prioritizing the acquisition of mature platforms. Communicating these strategic intents effectively can help improve investor confidence and mitigate negative market returns.

# 2 Background and Hypotheses Development

We first hypothesize the stock market's immediate reaction to a digital platform acquisition announcement, then explore how acquisition motivation moderates the balance between exploration and exploitation (Zhang et al., 2020), and finally assess the impact of the acquired firms' maturity.

## 2.1 Stock Market Performance of Digital Platform Acquisition

The power of digital platforms lies in their ability to harness network effects and generativity (Parker et al., 2016, Tiwana, 2014, Schreieck et al., 2024). Network effects create a self-reinforcing cycle: as more users join the platform, its value to each participant increases, attracting even more users and solidifying the platform's competitive position (Parker and Van Alstyne, 2005). Generativity further enhances this value by enabling external developers and users to create complementary innovations, expanding the platform's offerings, and adapting to evolving market demands without centralized control (Hein et al., 2019, Schreieck et al., 2021). These characteristics make digital platforms uniquely powerful assets as they continuously grow and diversify through user contributions. Recognizing this potential, firms across industries—including banking (Schreieck et al., 2024), automotive manufacturing (Svahn et al., 2017), insurance (Riasanow et al., 2021), and manufacturing (Sandberg et al., 2020, Wanner et al., 2019, Wu, 2019)—are increasingly adopting digital platforms. However, simply building a platform does not guarantee success, as firms must first address the "chicken-and-egg" problem—how to attract enough users to make the platform valuable while simultaneously needing that user base to draw in more participants (Tiwana, 2014, Wanner et al., 2019, Wu, 2019). As a result, firms are actively seeking ways to quickly scale and optimize their platform strategies to secure a competitive edge in this dynamic landscape.

A critical strategy for firms is to acquire existing digital platforms rather than build them from scratch (Miric et al., 2020). Through acquisitions, firms can instantly integrate an established network, user base, and technology infrastructure, bypassing the substantial time and resources needed to organically develop these elements. This approach has been particularly popular among digital giants and non-platform firms. For example, Airbnb fueled its early growth by acquiring other home-sharing firms like VRBO (Gurran, 2018). Similarly, Freelancer.com expanded its reach by acquiring online work marketplaces such as vWorker (Beerepoot and Lambregts, 2015). In a different industry, Yatsen, a non-platform firm from the cosmetics sector, acquired the platform firm Eve Lom (Li et al., 2022).

Despite the strategic advantages of acquiring digital platforms, the immediate stock market return to acquisition announcements could be negative (Agrawal et al., 1992). Acquisitions, particularly in the digital platform space, present significant uncertainties around integration, value realization, high cost, challenges of multi-platform integration (Schreieck et al., 2024) and potential misalignment with the acquiring firm's existing business model (Cording et al., 2008). Moreover, platform acquisitions often involve significantly higher costs relative to traditional firms, given their potential for exponential value creation through network effects and generativity, despite often generating limited current revenue (Schreieck et al., 2024). Investors may react cautiously,

anticipating challenges such as integrating complex user networks (Ranft and Lord, 2002), retaining existing users, and managing overlapping technologies or services (Graebner, 2004, Homburg and Bucerius, 2006) that could disrupt the firm's operations. Research on acquisition performance shows that acquisitions often generate negative short-term abnormal returns as the market grapples with the acquisition's risks and uncertainties (Agrawal et al., 1992, King et al., 2004, Schreieck et al., 2024).

As acquiring digital platforms involves even more complexities than traditional firms, investors are more likely to evaluate them as risky and uncertain. The risks associated with network effects and user retention may intensify investors' concerns. Integrating and preserving the platform's ecosystem can be difficult, as any disruption may weaken the platform's value, potentially leading to a failed strategy. As a result, investors may perceive digital platform acquisitions as risky, with concerns over both the costs and the uncertainty of realizing the anticipated network benefits. This leads to our first hypothesis:

*H1: The announcement of acquiring a digital platform has a negative effect on the acquiring firm's stock market returns.*

## 2.2 Moderating Effect of Exploration and Exploitation Motivation

In the context of acquisitions, firms may pursue either exploration- or exploitation-oriented motivations, each with distinct strategic goals and implications for market return (Zhang et al., 2020). Exploration-oriented acquisitions aim to expand the firm's capabilities by venturing into new markets, developing innovative products, or accessing unfamiliar knowledge areas (Stettner and Lavie, 2014, Zhang et al., 2020). Such acquisitions are typically intended to foster long-term growth and position the firm within emerging domains (Ahuja and Katila, 2001).

Conversely, exploitation-oriented acquisitions aim to strengthen the firm's existing business by enhancing operational efficiency and supporting established business functions. This approach prioritizes immediate synergies, scalability, and alignment with the acquiring firm's current operations, making it a relatively lower-risk strategy than exploration-oriented acquisitions (Zhang et al., 2020). Exploitation-oriented acquisitions often appeal to investors seeking stability and predictability, as they are designed to optimize resource utilization and drive incremental improvements. However, the advantages of exploitation-oriented acquisitions may also come with limitations. While these acquisitions emphasize short-term gains and operational refinement, they may lack the transformative potential to generate substantial long-term growth. Such a short-term view can lead to concerns about missed opportunities in innovation and market expansion, especially in highly dynamic industries where adaptability is vital (Levinthal and March, 1993, March, 1991).

In today's digital economy, firms acquire digital platforms to harness network effects and generativity, unlocking value through interconnected ecosystems and self-evolving capabilities. These acquisitions strategically integrate ecosystems with existing operations, generating rapid value via amplified user interactions and emergent platform evolution (Parker et al., 2016). Market perception of digital platform acquisitions depends on how well firms balance immediate integration synergies with the platform's long-term innovation potential through its ecosystem.

By focusing on short-term digital integration and leveraging existing technological infrastructure, exploitation-oriented digital platform acquisitions can raise concerns about whether these platforms will have the flexibility and innovative capacity needed to sustain competitive advantages in the long run. Conversely, exploration-driven digital platform acquisitions—those targeting new digital markets and breakthrough innovations—might evoke more positive long-term market expectations due to their significant growth potential (Aalbers et al., 2021, Dranev et al., 2019, Sorescu et al., 2007). Based on this framework, we thus hypothesize:

*H2: For firms driven by an exploration motivation, the negative effect of a digital platform acquisition on stock market returns is less pronounced than for those driven by an exploitation motivation.*

### 2.3 Moderating Effect of the Platform Maturity

Building on the understanding that digital platform acquisitions tend to elicit negative stock market returns, the literature suggests that the maturity of the acquired firm could play a crucial role in moderating this effect (Miric et al., 2020, Parker et al., 2016, Wu, 2022). Mature platforms, characterized by established network effects, a substantial user base, and proven market traction, present a more integrated and scalable asset that can expedite value generation for the acquiring firm. These platforms have often surpassed initial growth hurdles, such as the "chicken-or-egg" dilemma, where a critical user mass is needed to create sustainable network effects (Wu, 2022, Parker et al., 2016). Consequently, acquiring a mature platform may signal investors a quicker, less risky path to integration and value capture, potentially reducing the otherwise negative market return to acquisition announcements (Miric et al., 2020).

Mature platforms typically enjoy a self-reinforcing user attraction, which drives further growth and strengthens their market position, making them a strategic asset that enhances the acquiring firm's ecosystem with minimal disruption (Cusumano et al., 2019, Wanner et al., 2019). This contrasts sharply with nascent platforms, which typically lack these feedback loops and established user bases, thus requiring more time, resources, and strategic risk to realize value. For these nascent platforms, the lack of immediate, scalable network effects often translates into longer, uncertain timelines for integration and profitability, amplifying investor caution and market volatility following acquisition announcements (Wanner et al., 2019, Miric et al., 2020).

The acquired firm's maturity moderates investor expectations, with mature platforms eliciting a more favorable market return due to established network effects and user traction. Thus, we hypothesize:

*H3: For firms that acquire a mature platform, the negative effect of a digital platform acquisition on stock market returns is less pronounced than for firms that acquire a nascent platform.*

## 3 Methodology: Event Study

We apply an event study methodology to investigate the market return of digital platform acquisitions announced by 157 firms. The methodology is widely used to analyze

stock market return to specific firm events, such as acquisition announcements (Zhang et al., 2020, Dranev et al., 2019), digital platform strategy announcements (Schreieck et al., 2024), information security investments (Bose and Leung, 2019), ERP investments (Ranganathan and Brown, 2006), and AI integration announcements (Huang, 2024). This methodology is especially valuable for investigating how investors interpret acquisition announcements regarding their potential to create or diminish firm value (Armitage, 1995, Eklund and Kapoor, 2019).

According to efficient market theory, stock prices are expected to instantly reflect new, event-related information, making short-term event studies ideal for capturing investor reactions (Bose and Leung, 2019). When an acquisition announcement is made, investors are likely to immediately reassess the acquiring firm's future cash flows and overall value potential (Bose and Leung, 2019, Brown and Warner, 1985, Huang, 2024). For this study, we gathered daily stock price data from Bloomberg for the 157 firms in our sample. We calculated daily returns using these prices and applied the capital asset pricing model (CAPM) with MSCI THE WORLD INDEX (MXWO) as an index to estimate expected returns. Following Eklund and Kapoor (2019), we calculate abnormal returns as the difference between expected and actual returns during the event period. In this way, abnormal returns offer a direct and objective measure of investors' expectations of the acquisition announcement.

For the main analysis, we consider various event windows, which are measured in days around the acquisition announcement date, including [0,1], [0,2], [0,3], [-1,1], [-2,2], [-3,3], and [0,14] allowing us to capture both immediate and slightly delayed market responses (Eklund and Kapoor, 2019, Schreieck et al., 2024). To account for event-level variability and provide a robust measure of overall market return significance, we employed CAARs to assess the impact of digital platform acquisition announcements. CAARs are calculated by averaging the Cumulative Abnormal Returns (CAR) across multiple events within a defined event window, offering a comprehensive view of market returns (MacKinlay, 1997, Brown and Warner, 1985). For robustness, we used the MSCI AC World Index (MXWD) as an alternative index for the CAPM to ensure our results are not index-dependent. To test the statistical significance of CAARs during the event windows, we use a variety of parametric tests. In addition to the standard t-test (MacKinlay, 1997), we employ the Patell test (Patell and Wolfson, 1979), BMP test (Boehmer et al., 1991), and KP-adjusted versions of these tests (Kolari and Pynnonen, 2011). These alternative tests help address potential limitations of the t-test, such as handling event-induced volatility and cross-sectional correlation of abnormal returns.

To analyze the moderating effects, we employed an event study with subsamples following Schreieck et al. (2024) and conducted an ordinary least squares (OLS) regression as a robustness check.

### 3.1 Data and Variables

**Digital platform acquisition.** We began data collection by using TechCrunch's Mergers and Acquisitions section to identify firms that had acquired a digital platform firm. We chose TechCrunch as our primary source for acquisition announcements due to its reputation as a leading database for technology news, particularly on topics related to

startups and acquisitions. TechCrunch's comprehensive coverage and credibility in the tech industry make it an ideal source for identifying digital platform acquisitions relevant to our study (Xiang et al., 2012). In the first step, we reviewed all available announcements in TechCrunch from 2007 to 2024, resulting in an initial sample of 421 firms with acquisition announcement. In the second step, we excluded 149 firms that had acquired non-digital platform firms, reducing the sample to 272 firms with acquisition announcement. Next, we manually verified the status of the remaining 272 firms to ensure that each was publicly listed. This process excluded 107 private firms, leaving 165 publicly listed firms in the sample. In the fourth step, we removed four firms for which stock price data was unavailable in Bloomberg. Bloomberg is a widely recognized and reliable financial data platform that provides comprehensive and up-to-date information on global stock markets, making it an ideal source for obtaining accurate and consistent stock price data for our analysis (Bloomberg, 2017). Finally, we excluded four firms due to insufficient observations within the required estimation window of [-220, -20] to calculate expected returns. After these steps, our final dataset comprised 157 publicly listed firms that had announced the acquisition of a digital platform firm, with complete data available for our event study analysis. Finally, we manually verified the acquisition announcements for each of the 157 firms by reviewing their official websites to ensure that a formal announcement was made and that the date matched the one reported by TechCrunch. To ensure the validity of our results, we verified that no confounding events occurred within the event window for any of the 157 firms with acquisition announcement, minimizing the risk of external factors influencing the observed stock market returns.

**Exploration and exploitation.** We manually coded each acquisition announcement to categorize acquisitions as exploration- or exploitation-oriented. Following the methodology of Zhang et al. (2020), we assigned a value of 1 for exploration-oriented acquisitions if the announcement referenced objectives such as developing new services, products, or opportunities. For example, Google's October 9, 2006 announcement at 5:54 PM GMT+2, titled "Google buys YouTube for $1.65 billion," stated that the acquisition would strengthen its position in online video and offer a key opportunity to reshape digital advertising. In contrast, we assigned a value of 0 for exploitation-oriented acquisitions if the focus was on enhancing efficiency, productivity, refinement, or reducing variance. For example, PayPal's announcement from San Jose, Calif., on January 6, 2020, titled "PayPal Completes Acquisition of Honey," emphasized that the acquisition would enhance its platform with tools to improve the shopping experience for its 300 million users. This coding approach distinguishes acquisitions driven by a desire to innovate versus those aimed at optimizing existing capabilities.

**Maturity of the acquired firm.** To distinguish between mature and nascent acquired firms, we coded the maturity of each firm based on its age. First, we calculated the age of each acquired firm from its founding date up to the acquisition announcement date. We then determined the median age of all acquired firms in our sample as a cut-off value, assigning a value of 1 to firms classified as mature (those with age above the median) and 0 to firms classified as nascent (those with age below the median). The median is used as the cut-off for maturity because it is less sensitive to outliers than the mean, providing a robust midpoint for categorical division (Iacobucci et al., 2015). This approach aligns with prior studies that use median splits to distinguish stages or degrees of firm development, especially in cases where extreme values may skew average-

based classifications (DeCarlo, 1997). By using the median as the threshold, we ensure a balanced and representative classification of maturity within our dataset.

## 3.2 Robustness Test: OLS Regression

We used cumulative standardized abnormal returns (CSAR) (Bose and Leung, 2019) as the dependent variable. We used CSAR instead of CAAR in robustness testing because CSAR provides a normalized measure of abnormal returns by stand testing ardizing them relative to their variance, which enhances comparability across events and controls for heteroscedasticity, making it a more precise tool for statistical test providing (Bose and Leung, 2019). In line with (Zhang et al., 2020), we focused on a seven-day event window, encompassing the three trading days before and the three trading days after the acquisition announcement (CSAR [-3,3]). This event window is widely adopted in acquisition research as it effectively captures the immediate market return to such events while minimizing the influence of unrelated market fluctuations (Finkelstein and Haleblian, 2002). This approach tests how moderating factors affect the link between acquisition announcements and stock returns, offering deeper insight into investor responses. It captures both direct and moderating effects, providing a robust analysis of market perceptions. The primary independent variables in this model are the exploration orientation (*Exploration*) and maturity (*Mature*) of the acquired firm, allowing us to examine how these characteristics moderate the market return to digital platform acquisitions. Additionally, we included several control variables to account for firm-specific factors that may influence stock market return. These controls include the logarithm of firm size (*ln_size*), calculated as the log of the total number of employees, to capture firm scale (Zhang et al., 2020); the logarithm of R&D expenditure (*ln_rd*) to account for the firm's investment in innovation (Dranev et al., 2019); the logarithm of leverage, measured as the ratio of total debt to total equity (*ln_lev*), to reflect financial risk (Zhang et al., 2020); and the logarithm of return on assets (*ln_roa*), indicating firm profitability (Barney, 1991). By including these firm-level controls, our model helps mitigate concerns related to endogeneity and unobserved firm heterogeneity, ensuring that the observed effects are more accurately attributed to the moderating role of exploration orientation and platform maturity.

## 4    Results

We first examine the effect of digital platform acquisition announcements on stock returns, then assess how exploration-oriented acquisitions and acquired firm maturity moderate this relationship.

## 4.1    Main Effect of Digital Platform Acquisition Announcement

First, we analyzed the direct impact of firms' digital platform acquisition announcements on their stock market returns. As presented in Table 1, our findings indicate that these announcements consistently led to negative CAARs across all event windows,

with CAAR values ranging from -0.20% to -0.75%. This suggests that, on average, firms exhibited a decrease in stock returns between 0.20% and 0.75% following their announcement of acquiring a digital platform. Notably, the negative effect was statistically significant at 1% and 5% levels in the event windows of [-2,2] and [-3,3] across all tests, except for the t-test. Additionally, the proportion of negative CARs was above 50% for nearly all event windows, with an average of 51.14%, highlighting a pattern of negative market returns observed around the time of these announcements.

Our robustness check using an alternative expected returns index shows consistent negative CAARs across all event windows (-0.20% to -0.73%). The statistically significant results in the [-2,2] and [-3,3] windows (via Patell, BMP, and adjusted tests) strongly support Hypothesis 1, reflecting a pattern of negative market returns around digital platform acquisition announcements.

In our post-hoc analysis, we assessed how acquiring firm maturity influences stock market returns. Using the median firm age as a cutoff, we classified acquirers as mature (69 firms) or nascent (88 firms). Mature acquiring firms saw stock declines of 0.24%–0.87%, while nascent acquiring firms experienced smaller drops of 0.03%–0.65%. For nascent acquiring firms, these effects were statistically significant at the 1%–10% level in the [-2,2] and [-3,3] event windows across all tests except the t-test. Average negative CARs were 50.54% for mature and 52.23% for nascent acquiring firms, suggesting firm maturity may help mitigate adverse market returns to digital platform acquisitions.

**Table 1.** Effect of digital platform acquisition

| Event window | [0,1] | [0,2] | [0,3] | [-1,1] | [-2,2] | [-3,3] | [0,14] |
|---|---|---|---|---|---|---|---|
| CAAR (%) | -0.23 | -0.20 | -0.37 | -0.32 | -0.52 | -0.51 | -0.75 |
| p-value *t*-test | 0.47 | 0.60 | 0.41 | 0.41 | 0.30 | 0.40 | 0.40 |
| p-value Patell | 0.12 | **0.05** | **0.09** | **0.09** | **0.01** | **0.02** | 0.23 |
| p-value Patell (KP-adjusted) | 0.11 | **0.04** | **0.08** | **0.09** | **0.01** | **0.02** | 0.22 |
| p-value BMP | 0.26 | 0.11 | 0.16 | 0.17 | **0.01** | **0.03** | 0.28 |
| p-value BMP (KP-adjusted) | 0.26 | 0.10 | 0.15 | 0.16 | **0.01** | **0.03** | 0.27 |
| Share of negative CAR (%) | 52,87 | 54,78 | 46,50 | 51,59 | 51,59 | 50,32 | 50,32 |

| | | | |
|---|---|---|---|
| N = | 157 | CAR = | cumulative abnormal |
| CAAR = | cumulative average abnormal returns | | returns |
| KP = | Kolari and Pynnonen (2011) | BMP = | Boehmer et al. (1991) |

## 4.2 Moderating Effect of Exploration and Maturity of Acquired Firm

Next, we present the moderating effects of exploration-oriented acquisitions and the maturity of the acquired firm, as shown in Table 2. First, Panel A demonstrates that exploration-oriented acquisitions mitigate the negative impact on stock market returns compared to exploitation-oriented acquisitions. Exploration-oriented acquisitions show less negative CAARs across [0,2], [0,3], [-2,2], and [-3,3] event windows, ranging from -0.47% to 0.28%, while exploitation-oriented acquisitions range from -1.15% to -0.40%. Additionally, the share of negative CARs for exploration-oriented acquisitions is consistently lower across most event windows. These results are statistically significant for exploitation-oriented acquisition at the 1% to 5% level, as indicated by the

Patell test, BMP test, and their KP-adjusted versions for the [-2,2] and [-3,3] event windows. This finding reinforces that exploration-oriented acquisitions have a less negative impact than exploitation-oriented acquisitions, reflecting investor confidence in exploration as a strategy for long-term growth potential.

Similarly, Panel B shows the results for the moderating effect of the maturity of the acquired firm. Notably, we observe that mature platform acquisitions consistently show higher CAARs than nascent platform acquisitions across all event windows. While nascent platform acquisitions exhibit more pronounced negative CAARs, ranging from -0.84% to -0.15%, CAARs for mature acquisitions range from -1.37% to 1.19%. This pattern highlights a more favorable market return to acquisitions of mature platforms relative to nascent ones. Precisely, in the [-2,2] vent window, acquisitions of mature platforms show a significant positive CAAR of 1.07%, with statistical significance at the 5% level in the *t*-test. In the [-3,3] event window, acquisitions of nascent platforms show a significant negative CAAR of -0.73%, with statistical significance at the 5% level in the Patell test and the KP-adjusted version, indicating a consistently negative market return. Overall, mature acquisitions show a consistently lower percentage of negative CARs across all event windows compared to nascent ones, reinforcing our main findings. The market appears to react less negatively to acquisitions of mature digital platforms, likely due to established network effects and lower integration risks. Our unreported robustness checks align with our results. While the coefficients for exploration (0.2432) and maturity (0.0229) are not statistically significant, they indicate a trend toward less negative CSARs in the [-3,3] window, supporting our primary analysis.

**Table 2**. The moderating effect of exploration and maturity

| Event window | [0,1] | | [0,2] | | [0,3] | | [-1,1] | | [-2,2] | | [-3,3] | | [0,14] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Panel A: Exploration** Yes: N = 74 \| No: N = 83 | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| CAAR (%) | -0.26 | -0.20 | 0.05 | -0.40 | 0.23 | -0.89 | -0.44 | -0.21 | -0.47 | -0.58 | 0.28 | -1.15 | 0.40 | -1.46 |
| p-value *t*-test | 0.57 | 0.64 | 0.93 | 0.46 | 0.72 | 0.16 | 0.84 | 0.69 | 0.52 | 0.40 | 0.81 | 0.16 | 0.74 | 0.20 |
| p-value Patell | 0.12 | 0.50 | 0.26 | 0.12 | 0.50 | 0.11 | **0.09** | 0.49 | 0.10 | **0.03** | 0.45 | **0.01** | 0.94 | 0.14 |
| p-value Patell (KP-adjusted) | 0.09 | 0.53 | 0.22 | 0.14 | 0.46 | 0.13 | **0.07** | 0.51 | 0.07 | **0.03** | 0.41 | **0.02** | 0.94 | 0.16 |
| p-value BMP | 0.37 | 0.51 | 0.45 | 0.10 | 0.65 | **0.08** | 0.22 | 0.49 | 0.18 | **0.02** | 0.53 | **0.01** | 0.96 | **0.09** |
| p-value BMP (KP-adjusted) | 0.32 | 0.53 | 0.41 | 0.11 | 0.62 | **0.08** | 0.18 | 0.51 | 0.14 | **0.03** | 0.49 | **0.02** | 0.95 | 0.12 |
| Share of negative CAR (%) | 55.41 | 50.62 | 50.00 | 59.26 | 37.84 | 55.56 | 54.05 | 49.38 | 45.95 | 56.79 | 39.19 | 60.49 | 45.95 | 57.83 |
| **Panel B: Mature** Yes: N = 77 \| No: N = 80 | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| CAAR (%) | 0.31 | -0.74 | 0.34 | -0.73 | 0.00 | -0.73 | 0.22 | -0.84 | 1.07 | -0.73 | 1.19 | -0.73 | -1.37 | -0.15 |
| p-value *t*-test | 0.47 | 0.11 | 0.51 | 0.21 | 0.99 | 0.27 | 0.66 | 0.14 | **0.05** | 0.21 | **0.07** | 0.27 | 0.25 | 0.91 |
| p-value Patell | 0.89 | **0.02** | 0.73 | 0.02 | 0.69 | **0.04** | 0.99 | **0.02** | 0.11 | 0.02 | 0.16 | **0.04** | 0.30 | 0.52 |
| p-value Patell (KP-adjusted) | 0.89 | **0.01** | 0.73 | 0.01 | 0.68 | **0.03** | 0.99 | **0.01** | 0.11 | 0.01 | 0.16 | **0.03** | 0.28 | 0.48 |
| p-value BMP | 0.91 | 0.14 | 0.73 | 0.09 | 0.68 | 0.15 | 0.99 | **0.09** | 0.15 | 0.09 | 0.19 | 0.15 | 0.32 | 0.57 |
| p-value BMP (KP-adjusted) | 0.90 | 0.11 | 0.72 | 0.06 | 0.68 | 0.13 | 0.99 | **0.07** | 0.14 | 0.06 | 0.19 | 0.13 | 0.31 | 0.54 |
| Share of negative CAR (%) | 50.65 | 56.25 | 51.95 | 57.50 | 45.45 | 48.75 | 45.45 | 58.75 | 44.16 | 58.75 | 42.86 | 57.50 | 49.35 | 51.25 |

| | |
|---|---|
| CAAR = cumulative average abnormal returns | CAR = cumulative abnormal returns |
| KP = Kolari and Pynnonen (2011) | BMP = Boehmer et al. (1991) |

# 5 Discussion, Limitations, and Contributions

We first discuss our results, then outline our limitations, and finally present our contributions to theory and practice.

## 5.1 Discussion and Limitations

Motivated by limited understanding of how digital platform acquisitions affect stock returns, we examined investor reactions to such announcements. We also explored how exploration motives and target maturity influence this effect, offering insights into the dynamics shaping market returns. Consistent with Hypothesis 1, we observed a generally decline in stock returns following acquisition announcements, supporting prior research suggesting that the market often perceives acquisitions as costly, with potential integration risks and resource reallocation challenges (Haleblian et al., 2009, Moeller et al., 2004).

However, our study highlights that not all digital platform acquisitions are equally negatively evaluated: exploration-oriented motivation and platform maturity positively influence investor responses. Exploration-driven acquisitions appear to reduce the negative market return, indicating that investors may perceive such acquisitions as proactive, growth-oriented strategies that position the firm for long-term innovation and market expansion. This aligns with research emphasizing the favorable market view of exploration activities, often associated with high growth potential and adaptability in dynamic environments (March, 1991, Levinthal and March, 1993). By contrast, exploitation-oriented acquisitions, focused on efficiency and incremental improvement, may not generate the same investor enthusiasm as they are seen as less transformative.

Furthermore, the maturity of the acquired firm also moderates the market return. Acquisitions involving mature platforms, likely due to their established network effects, stable user bases, and reduced integration risks, tend to result in less negative or even positive stock returns. This finding aligns with prior studies suggesting that mature platforms provide a more immediate and reliable value proposition, reducing perceived risks (Cusumano et al., 2019, Parker et al., 2017, Alstyne et al., 2016). Conversely, acquisitions of nascent platforms evoke a more cautious response from investors, who may be concerned about the time and resources required to scale and integrate a less established platform (Cusumano et al., 2019).

While this study sheds light on the market impact of digital platform acquisitions, several limitations exist. First, the event study methodology assumes no major confounding events during the estimation window; while we followed standard practices, this cannot be fully guaranteed. Thus, our findings reflect associations, not causality. Second, classifying acquisitions as exploration- or exploitation-oriented based on public content may oversimplify strategic intent—richer qualitative data could provide deeper insight. Third, using firm age as a proxy for maturity offers consistency but may miss nuances in growth, strategy, and experience. Finally, focusing on short-term market returns may overlook longer-term strategic value. Overall, our findings highlight the importance of acquisition strategy and platform characteristics in shaping investor responses, suggesting that emphasizing growth potential or stability can counteract negative reactions.

### 5.2 Contributions to Theory and Practice

This study makes several significant contributions to the fields of M&A, digital platform strategies, and investor behavior. First, it extends the existing literature by providing nuanced insights into how acquisition intent and target platform characteristics affect stock market returns differently. While prior research often emphasizes the negative market returns to acquisitions due to concerns about integration challenges and resource reallocation (Moeller et al., 2004, Agrawal et al., 1992), this study identifies exploration-oriented motivations and platform maturity as critical moderating factors that can mitigate such adverse reactions. In this way, we contribute to the broader understanding of how strategic intent and platform attributes shape investor perceptions and firm value (Levinthal and March, 1993, March, 1991).

Our findings suggest that investors respond more favorably to exploration-oriented acquisitions focused on innovation and long-term growth than to exploitation-driven deals aimed at short-term efficiency. While the latter may offer immediate synergies, they often raise market skepticism due to limited transformative potential and resource constraints. This underscores the strategic value of forward-looking, adaptive acquisition approaches (Levinthal and March, 1993, March, 1991). Although our study captures short-term market returns, future research should adopt a longitudinal perspective to evaluate the longer-term development and performance of firms following digital platform acquisitions.

Next, this study advances digital platform strategy literature by showing that platform maturity shapes acquisition outcomes. Acquiring mature platforms—offering stable operations and strong network effects—leads to more favorable market reactions than riskier, nascent platforms, reinforcing insights from prior research (Cusumano et al., 2019, Yoffie et al., 2019). Finally, the study offers practical guidance: clearly communicating exploratory goals and acquiring mature platforms can enhance market response, align strategies with investor expectations, and strengthen firms' positions in the digital economy.

## 6 Conclusion

This study examines stock return patterns around digital platform acquisition announcements, highlighting that these events are often associated with negative market returns, potentially reflecting concerns about integration and resource allocation (Agrawal et al., 1992), these effects are mitigated when acquisitions are exploration-oriented or target mature platforms. Acquisitions targeting innovation, growth, and mature platforms with strong network effects tend to ease investor concerns. Emphasizing such forward-looking strategies can improve market returns and strengthen investor confidence.

## 7 Acknowledgments

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