

Friday Initiatives: Assessing Merger Efficiencies Response

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1. Introduction

Friday Initiatives welcomes the CMA's review of its approach to assessing rivalry-enhancing efficiencies in merger control. We recognise this as an important step within the CMA's 4Ps programme and its broader strategic commitment to supporting growth, investment, and business confidence.

This response addresses a specific structural challenge in current efficiency assessment: the absence of standardised, quantitative methodologies for evidencing data-driven and dynamic efficiencies. We propose that a structured data valuation framework can materially strengthen the evidentiary basis for rivalry-enhancing efficiency claims, particularly in digital and data-intensive markets where the value created by mergers is increasingly tied to the combination, integration, and exploitation of data assets.

Friday Initiatives is a data governance company. We help organisations unlock, protect, and grow the value of their data through automated discovery, structured governance, and practical valuation frameworks. Based in London and operating across the UK, Singapore, and Australia, Friday works with investors, insurers, companies and regulators to replace assumptions about data with evidence.

2. The Evidential Gap in Data-Driven Efficiencies

The CMA's existing framework recognises that rivalry-enhancing efficiencies must be timely, likely, merger-specific, and of benefit to UK customers. We support this framework. However, in data-intensive mergers, this assessment faces a fundamental gap.

Under current accounting standards, data does not appear on the balance sheet and is not independently valued. Without a structured approach to identifying what data each party holds and mapping the potential use cases any integration would unlock, the CMA cannot fully assess either the competitive harm or the rivalry-enhancing benefits a merger might produce.

This matters because in digital markets, the competitive significance of a merger often lies not in current revenue or cost synergies, but in what the combined data assets could enable — new products, enhanced targeting, expanded reach, internal efficiencies, or consolidated control over inputs that rivals depend on. The Facebook/WhatsApp merger illustrates the point: the strategic value of combining those datasets was not captured by conventional assessment, and the competitive implications of data integration were not systematically evaluated.

Three specific factors compound this gap:

- **Data assets lack a valuation standard.** Both the FRC and UK Endorsement Board have called for improved intangible asset disclosure, but no accepted framework yet exists for merger-specific data valuation. Internally generated data is typically subsumed into goodwill or omitted entirely, leaving merging parties with no basis on which to evidence incremental value.
- **Dynamic efficiencies are treated as speculative.** Claims relating to innovation, improved model performance, or enhanced customer insights are routinely dismissed as insufficiently evidenced — not because they lack merit, but because there is no accepted methodology to quantify and stress-test them. Efficiency arguments have historically been regarded as a "peripheral consideration" that did not move the needle in merger assessment.
- **Information asymmetry is structural.** Organisations frequently lack visibility over what data they hold, how it flows between systems and third parties, what processes depend on it, and what its operational or financial impact would be if disrupted.

The consequence is that both efficiency arguments and harm assessments in data-intensive mergers are structurally under-evidenced. This does not serve the CMA's objective of proportionate, predictable review.

3. A Data Valuation Framework for Efficiency Assessment

We propose a two-stage analytical model that creates a traceable link between data assets, merger-specific value creation, and consumer benefit.

Stage 1: Baseline valuation. Establish what each party's data is actually worth before the merger. This means identifying what data each firm holds, where it sits across jurisdictions, how it is used, and what value it generates — then applying market, income, and cost-based valuation approaches to produce a documented, auditable baseline. This includes accounting for jurisdictional constraints on data access, transfer, and processing that affect realisable value. Without this, there is no starting point from which to measure what a merger adds.

Stage 2: Incremental merger valuation. Model the additional value the combination would unlock. This involves mapping the potential use cases enabled by integrating the two firms' data assets — for example, expanded customer insight, improved product development, new market access, or enhanced analytical capability — and quantifying the incremental value against the standalone baseline. Counterfactual analysis isolates what is genuinely merger-specific from what each party could achieve independently. Critically, this must account for cross-jurisdictional regulatory constraints that may limit or enable specific use cases depending on where the data resides.

This approach has been applied in live transactions, demonstrating that data-driven value is measurable and routinely underestimated in conventional deal analysis.

4. Strengthening Credibility and Predictability

This framework directly supports the CMA's existing credibility requirements by providing structure around four areas where current practice could be strengthened.

- **Structured counterfactual modelling.** Baseline valuations enable rigorous comparison of the with-merger and without-merger scenarios, isolating merger-specific value creation from organic growth trajectories.
- **Sensitivity analysis on integration assumptions.** Each valuation stage produces explicit assumptions across regulatory, commercial, and jurisdictional dimensions that can be stress-tested, reducing reliance on optimistic internal synergy projections.
- **Separation of firm-specific and rivalry-enhancing gains.** By quantifying efficiency and opportunity gains at the asset level, the framework enables the CMA to distinguish between those that improve internal operations and those that enhance the merged firm's competitive proposition in ways that benefit consumers.
- **Time-bound delivery evidence.** The framework produces time-profiled value estimates tied to specific integration milestones, directly addressing the CMA's timeliness requirement with quantified specificity rather than narrative commitments.

The approach also addresses a practical concern identified in the call for evidence: that merging parties find it difficult to produce the evidence the CMA requires. A standardised valuation methodology gives parties a clear framework to follow, reducing ambiguity about what constitutes sufficient evidence and making efficiency arguments more comparable across cases.

5. Moving Beyond Narrative Claims

The current approach to efficiency evidence relies heavily on internal management projections and narrative submissions. In data-intensive mergers, this creates an inherent credibility problem: parties describe expected synergies in qualitative terms that the CMA cannot independently verify or stress-test.

We would encourage the CMA to move towards requiring structured, quantified efficiency evidence grounded in dynamic modelling rather than static documentation. Merger parties should be expected to produce live, queryable models of their data estates — representations of what data exists, where it sits, how it flows, what depends on it, and what it is worth — that can be interrogated, updated as assumptions change, and used to model integration scenarios.

This would give the CMA the ability to challenge assumptions, run sensitivities, and assess the robustness of claimed efficiencies in a way that narrative submissions and static templates cannot support. It would establish a standard of evidence based on quantified, testable models rather than qualitative descriptions of anticipated synergies.

6. Conclusion

The CMA's review is well-timed. As mergers increasingly involve the combination of data assets, analytical capabilities, and AI-driven processes, the tools for assessing their competitive impact must evolve accordingly. We believe a structured data valuation framework offers a practical, evidence-based mechanism to strengthen the assessment of rivalry-enhancing efficiencies, particularly dynamic efficiencies relating to innovation, data synergies, and quality improvement, without lowering the evidentiary bar.

Beyond merger assessment, a structured approach to data valuation has broader implications for UK competitiveness. If businesses can identify, measure, and articulate the value of their data assets, they become more investable and better positioned to compete, particularly early-stage and scaling businesses whose value is disproportionately tied to data rather than physical assets.

The UK has an opportunity to lead internationally on this. Singapore's IMDA and MAS have already published frameworks on data valuation and assurance; embedding data valuation into merger assessment would signal that the UK recognises data as a distinct category of economic value and is building the institutional infrastructure to support it.

Our experience across private equity, insurance, and regulatory contexts demonstrates that data-driven value can be quantified with sufficient rigour to support investment decisions, underwriting models, and regulatory assessments. The same discipline can and should be applied to merger efficiency analysis.

Friday Initiatives would welcome the opportunity to engage further with the CMA on these proposals, including through worked examples or participation in any industry engagement the CMA convenes as part of this review.