



WHEN ACQUISITION ANNOUNCEMENTS SIGNAL STRENGTH VERIFIABLE COMMITMENTS AND RIVAL ACCOMMODATION

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Abstract

This paper develops a formal theory of when acquisition announcements credibly signal competitive strength to product-market rivals. The strategic choice is not whether to disclose an acquisition, but whether the announcement includes a specific, verifiable competitive commitment, such as a quantified synergy target, dated integration milestone, or observable capacity or market-coverage claim. A privately informed acquirer chooses whether to make such a commitment; a rival updates its beliefs and then competes in a Bayesian Cournot product-market stage. The analysis shows that a rival accommodates when it becomes more confident that the acquirer is strong, and that a stronger acquirer gains more from this favorable belief than a weaker acquirer. This endogenous difference in signaling benefits creates an intermediate-cost region in which verifiable commitments can credibly separate stronger from weaker acquirers. The paper characterizes pooling, separating, and semi-separating regimes, shows how prior beliefs affect credibility, and derives a conditional multimarket-contact window when corporate-level commitments spill over across markets. The model yields testable implications for the design and interpretation of acquisition announcements and for rival response in overlapping product markets.

Keywords: Acquisitions; competitive commitments; signaling games; rival response; multimarket contact; strategic substitutes

INTRODUCTION

Acquisition announcements often include more than the minimum fact that a transaction has been signed. They may contain quantified synergy targets, dated integration milestones, capacity plans, store or network rationalization commitments, market-coverage promises, or operating targets that imply a stronger post-merger competitor. These statements are common in practice. In the T-Mobile/Sprint announcement, the companies stated that the combined firm expected more than \$6 billion in run-rate cost synergies with a net present value exceeding \$43 billion (T-Mobile & Sprint, 2018). In the Bristol-Myers Squibb/Celgene transaction, management communicated approximately \$2.5 billion of run-rate cost synergies by 2022 (Bristol-Myers Squibb, 2019). In the Kroger/Albertsons announcement, the companies stated an expectation of approximately \$1 billion of annual run-rate synergies within four years, with about half achieved within two years (Kroger & Albertsons, 2022). These examples are not evidence for the model; they motivate the construct. Acquisition announcements routinely include measurable, dated claims that can later be compared with realized integration outcomes, analyst assessments, and regulatory scrutiny.

A rival observing such a statement faces an interpretation problem. Does the commitment reveal that the acquisition has created genuine cost, capacity, scale, or coverage advantages? Or is the acquirer attempting to appear stronger than it is? The answer matters for competitive conduct. If the rival believes that the acquirer has become a lower-cost or more capable competitor, it may accommodate by reducing output, delaying entry, withdrawing capacity, or softening competition in contested segments. If the rival does not believe the claim, it may ignore the announcement, expand output, or treat the statement as conventional merger rhetoric. In the Cournot setting used below, retaliation maps to higher rival output and accommodation maps to lower rival output. I leave imitation, counter-acquisitions, and two-sided signaling races for extensions.

This paper develops a formal theory of that interpretation problem. I focus on **verifiable competitive commitments** in acquisition announcements. A verifiable competitive commitment is a public operational claim attached to an acquisition announcement that (i) specifies an observable post-merger competitive target, (ii) can be assessed ex post, and (iii) exposes the acquirer to reputational, capital-market, regulatory, or competitive penalties if the claim is not met. Examples include quantified cost-synergy targets, dated integration milestones tied to operating costs, commitments to consolidate or expand capacity by a stated date, or explicit market-coverage commitments tied to the acquisition. These are not mere adjectives such as “transformational” or “strategic.” They are

specific enough that rivals, investors, analysts, employees, suppliers, and regulators can later observe whether the acquirer delivered or failed.

The word **commitment** is used in a deliberately intermediate sense. The commitment is not a fully binding contract that mechanically fixes future output, capacity, or prices. If it were, rival response would follow partly from a direct conduct constraint rather than from belief updating. Nor is it costless cheap talk. The commitment is public, specific, and verifiable, so failing to meet it can damage managerial credibility, invite analyst and investor penalties, constrain subsequent strategic flexibility, attract regulatory scrutiny, or create competitive vulnerability. The model summarizes the expected exposure created by such a claim in a signal cost. The analysis isolates the **informational effect** of commitments: it asks how the rival changes conduct because the commitment changes beliefs about the acquirer's type, holding fixed any direct operational effect of executing the announced plan. Direct operational effects may exist in practice, but they are not necessary for the signaling result derived here.

The narrowing is important. Firms often cannot choose whether material acquisitions are disclosed. Legal and exchange rules, investor-relations practice, and market scrutiny make many acquisition announcements unavoidable. Therefore, a theory in which the firm chooses simply whether to announce an acquisition is too broad. The strategic choice analyzed here is instead whether the acquirer embeds a costly, verifiable competitive commitment in the announcement. The paper also does not attempt to explain all acquisition announcements. It applies most directly to related or horizontal acquisitions whose competitive implications run through cost, scale, capacity, or market coverage, and to product-market settings in which strategic actions are substitutes.

The research question is: **when do verifiable competitive commitments in acquisition announcements credibly signal post-merger competitive strength to rivals?** Existing M&A research has examined motives, value creation, relatedness, integration, acquisition waves, interorganizational imitation, and the wealth effects of mergers on rivals and trading partners (Barney, 1988; Capron, 1999; Capron & Pistre, 2002; Eckbo, 1983; Fee & Thomas, 2004; Halebian, Devers, McNamara, Carpenter, & Davison, 2009; Haunschild, 1993; McNamara, Halebian, & Dykes, 2008; Seth, 1990; Shahrur, 2005; Song & Walkling, 2000). Competitive dynamics research has examined competitive actions and responses, emphasizing awareness, motivation, capability, action irreversibility, and competitor dependence (Chen, 1996; Chen & MacMillan, 1992; Chen & Miller, 2012; Chen, Smith, & Grimm, 1992; Smith, Grimm, Gannon, & Chen, 1991). Market-signaling and product-preannouncement research has shown that public strategic statements can affect competitors and other audiences (Farrell & Saloner, 1986; Heil & Robertson, 1991; Porter,

1980; Robertson, Eliashberg, & Rymon, 1995). These literatures imply that rivals observe and respond to acquisition-related claims. They provide less formal guidance on when the competitive content of an acquisition announcement should be believed.

The paper makes three contributions. First, it inserts explicit belief formation between an acquisition announcement and rival response. The acquisition, the legally required disclosure of the transaction, and the optional competitive commitment embedded in that disclosure are treated as distinct strategic objects. Second, the model derives signaling credibility from product-market consequences: rival accommodation makes favorable beliefs more valuable to a genuinely strong acquirer, creating a sorting force even when the baseline commitment cost is type independent. Third, the paper adds an informational channel to multimarket-contact research by showing that a corporate-level commitment can alter rival beliefs across several markets at once. Together, these mechanisms connect M&A disclosure, competitive dynamics, signaling, and multimarket rivalry in a single action-belief-response framework.

The first result shows why announcement content can matter for product-market conduct. If the rival assigns a higher posterior probability to the acquirer being strong, the rival reduces output. The rival accommodates because a lower-cost acquirer is expected to compete more aggressively. The acquirer therefore gains from being believed strong. The second result is the paper's central formal result: the strong type gains more from being believed strong than the weak type does. In the linear Cournot benchmark, the difference is

$$B(L) - B(H) = \frac{\Delta^2}{6},$$

where, $B(L)$ and $B(H)$ are the strong and weak types' gross belief premia. This is a benefit-side single-crossing condition. The paper does not claim that benefit-side single crossing or money-burning communication is new as a general signaling mechanism (Austen-Smith & Banks, 2000; Milgrom & Roberts, 1986). The contribution is more specific: it provides a closed-form product-market benchmark for acquisition-related commitments, showing how rival accommodation itself creates the payoff wedge that can make commitment content credible. The baseline intentionally removes the most obvious source of credibility - type-dependent failure penalties - to isolate this product-market mechanism. The extension then shows how explicit ex post verification penalties reinforce the result.

The third result concerns multimarket contact. Classic work on multimarket competition emphasizes mutual forbearance: firms that meet in multiple markets may compete less aggressively because restraint and retaliation can be linked across markets (Bernheim & Whinston, 1990; Edwards, 1955; Evans & Kessides, 1994; Gimeno, 1999; Gimeno & Woo, 1996, 1999; Karnani & Wernerfelt, 1985; Yu & Cannella, 2013). This paper

adds an informational channel. A corporate-level acquisition commitment may shift rival beliefs in several markets at once. That spillover raises the strong type's return from committing, but it also raises the weak type's return from mimicry. When the commitment has a large fixed component and limited marginal per-market cost, credible signaling is sustainable only within a contact window: too little contact gives the strong type too little reason to commit, whereas too much contact can make mimicry attractive for the weak type.

The paper is best read as a **regime theory**. It does not claim a unique equilibrium across all parameter values. It characterizes when verifiable commitments separate, when they pool because they are too cheap, and when they are absent because they are too costly. Its predictions concern how commitment specificity, signal cost, prior beliefs, strength gaps, and multimarket contact move acquisition announcements across these regimes.

THEORETICAL POSITIONING

From acquisition announcements to verifiable competitive commitments

The paper begins from a practical fact: acquisition announcements are observed by rivals, but not all announcement content has the same strategic meaning. A generic statement that a transaction is “strategic” or “transformational” is difficult to evaluate and cheap to imitate. A quantified synergy target or dated operational milestone is different. It creates an ex post reference point. The paper therefore narrows the object from acquisition announcements in general to verifiable competitive commitments embedded in those announcements.

This narrowing distinguishes the paper from a model of the acquisition decision itself. I do not explain why the acquirer buys the target, nor whether the acquisition is value creating for shareholders. I condition on a product-market relevant acquisition and ask how a rival interprets the announcement content. This focus is closest to work on competitive market signals and product preannouncements, but the acquisition setting differs because the announcement concerns an already negotiated strategic transaction rather than the launch of a new product.

M&A research and rival interpretation

M&A research has shown that acquisition value depends on relatedness, resource redeployment, integration, acquisition experience, and market structure (Barney, 1988; Capron, 1999; Capron & Pistre, 2002; Halebian et al., 2009; McNamara et al., 2008; Seth, 1990). Finance research on horizontal mergers and merger spillovers has examined whether

rivals gain because of collusion, efficiency, industry revaluation, or increased acquisition probability (Eckbo, 1983; Fee & Thomas, 2004; Shahrur, 2005; Song & Walkling, 2000). A related stream studies voluntary synergy disclosures in M&A announcements and asks why bidders release synergy forecasts (Dutordoir, Roosenboom, & Vasconcelos, 2014).

This paper differs by treating the rival not as an asset whose stock price reacts to industry information, but as a product-market decision maker whose conduct changes after interpreting announcement content. The rival's output response is the theoretical object. This shifts attention from valuation spillovers to the action-belief-response sequence in product markets.

Competitive dynamics and belief formation

Competitive dynamics research emphasizes that competitive actions invite responses and that response likelihood depends on awareness, motivation, capability, dependence, and irreversibility (Chen, 1996; Chen & MacMillan, 1992; Chen et al., 1992; Smith et al., 1991). Acquisition announcements can be viewed as competitive actions when they imply post-merger changes in cost, capacity, technology, or market coverage. However, competitive dynamics research often treats interpretation as implicit. This paper makes interpretation explicit: the rival observes a message, forms a posterior belief about the acquirer's strength, and chooses product-market conduct accordingly.

Costly communication, burned money, and benefit-side single crossing

The signaling logic is deliberately modest. Costly communication can separate types not only because costs differ across types, but also because benefits differ across types. Canonical signaling models show how costly actions can separate privately informed senders (Riley, 1979; Spence, 1973). Dissipative advertising and money-burning models have long shown that costly, otherwise unproductive actions can convey information when incentives differ (Austen-Smith & Banks, 2000; Milgrom & Roberts, 1986). The present paper does not rediscover that general mechanism. It applies the mechanism to acquisition-related commitments and derives the benefit difference from product-market rivalry.

The key theoretical move is to endogenize the benefit side. In standard applications, the sender's benefit from being perceived as high quality is often left abstract or imposed by the environment. Here it is derived from a Bayesian Cournot subgame: a rival that believes the acquirer is strong cuts output, and the strong acquirer benefits more from that accommodation. The closed-form wedge $\Delta^2/6$ is specific to the linear Cournot benchmark,

but it provides a tractable baseline for how rival accommodation can make acquisition-related commitment content credible.

Two-audience signaling and product-market receivers

A public acquisition announcement is observed by several audiences at once. Investors, analysts, employees, regulators, customers, suppliers, and rivals can all observe the same statement. Two-audience signaling models show that an action designed for capital-market interpretation may also affect product-market competitors (Gertner, Gibbons, & Scharfstein, 1988). This paper takes the product-market rival as the focal receiver. The same quantified commitment may reassure investors about value creation and warn rivals about future competitive strength, but the modeled response is the rival's product-market conduct, not the stock market's valuation.

Verifiable disclosure, information sharing, and why unraveling does not solve the problem

The term verifiable connects the paper to disclosure and information-revelation research. Classic unraveling arguments show that when favorable information can be directly and costlessly verified, nondisclosure can be interpreted pessimistically, leading high types to disclose (Grossman, 1981; Milgrom, 1981). Strategic information-revelation and oligopoly disclosure models examine when firms reveal private information in competitive settings (Gal-Or, 1986; Okuno-Fujiwara, Postlewaite, & Suzumura, 1990; Vives, 1984).

The present setting differs because the acquirer's type is not directly certifiable at the announcement date. A firm cannot prove at closing that the acquisition will actually generate the future cost savings or capacity efficiencies it claims. What it can do is make a public, measurable claim that will be evaluated later. Thus verifiability does not create immediate unraveling of the hidden type. It creates exposure: future nonperformance can be observed and penalized. The rival must often act before verification is complete because capacity, output, pricing, procurement, and entry decisions are made while integration unfolds. This timing is why a signaling model remains useful even when the announced target is eventually verifiable.

Strategic commitment and product preannouncements

The word commitment also connects the paper to a different tradition. In Schelling's (1960) and subsequent strategy work, commitments matter because they constrain future conduct or make threats credible (Dixit, 1980; Ghemawat, 1991). This paper uses commitment in a narrower informational sense. The commitment changes beliefs and creates exposure; it is not modeled as a binding constraint on future output. This distinction matters because the model isolates the belief-changing channel from any direct conduct-fixing channel.

The paper is also related to product preannouncement and vaporware research. New product announcements may influence competitors before the product exists, and their credibility affects incumbent reactions (Bayus, Jain, & Rao, 2001; Farrell & Saloner, 1986; Robertson et al., 1995). Acquisition commitments are analogous because they communicate future competitive capability before that capability is fully verified. They differ because the statement is attached to an acquisition and often concerns integration synergies, cost reductions, capacity consolidation, or market coverage rather than product launch timing.

Voluntary disclosure and managerial forecasts

Voluntary disclosure research explains when firms release information that investors cannot otherwise observe (Dye, 1985; Healy & Palepu, 2001; Hirst, Koonce, & Venkataraman, 2008; Skinner, 1994; Verrecchia, 1983). M&A synergy disclosure research shows that bidders sometimes voluntarily release quantified synergy forecasts, and that such disclosures are associated with market reception and deal characteristics (Dutordoir et al., 2014). This paper draws on that insight but changes the receiver. The question is not only whether investors believe the forecast, but whether rivals alter competitive conduct because the forecast changes beliefs about post-merger strength.

Multimarket contact as informational spillover

Multimarket-contact research studies firms that meet in more than one market. The classic mutual-forbearance argument is that repeated points of contact can soften competition because firms recognize their interdependence and can punish aggression across markets (Bernheim & Whinston, 1990; Edwards, 1955; Karnani & Wernerfelt, 1985). Empirical studies have examined these effects in airlines, banking, and diversified firms

(Baum & Korn, 1996; Evans & Kessides, 1994; Gimeno, 1999; Gimeno & Woo, 1996, 1999; Jayachandran, Gimeno, & Varadarajan, 1999; Yu & Cannella, 2013).

This paper adds an informational mechanism. A verifiable commitment attached to an acquisition announcement may be corporate-level rather than market-specific. If the same rival meets the acquirer in several markets, one commitment may shift beliefs in several places. That spillover makes signaling more attractive to the strong type, but it also makes mimicry more attractive to the weak type. Multimarket contact therefore does not simply strengthen or weaken signaling. Under specific cost and spillover conditions, it creates a window in which credible commitment is sustainable.

ANALYTICAL MODEL AND METHOD

This study uses a formal analytical method based on a Bayesian signaling game. The model is solved by backward induction: the product-market subgame is characterized first, and the acquirer's message choice and the rival's posterior beliefs are then used to identify pooling, separating, and semi-separating perfect Bayesian equilibria. Comparative statics examine how commitment cost, the post-acquisition strength gap, prior beliefs, and multimarket contact affect equilibrium credibility. The objective is not to estimate an empirical treatment effect but to derive internally consistent, testable predictions about when acquisition-announcement content should alter rival conduct.

Players and types

There are two firms: an acquirer A and a rival B . The analysis conditions on an acquisition announcement that is material and product-market relevant. Firm A privately observes whether the acquisition makes it a strong or weak post-merger competitor. Type L is the low-cost, strong type and has marginal cost c_L . Type H is the high-cost, weak type and has marginal cost c_H , with

$$c_L < c_H, \quad \Delta = c_H - c_L > 0.$$

Throughout, L and H index low and high cost, not high and low strength. This convention keeps the notation aligned with the cost primitives while the text refers to the low-cost type as strong and the high-cost type as weak.

Firm B has known marginal cost c_B . The prior probability that A is the strong type is $\mu_0 \in (0, 1)$.

The type should be interpreted as the true post-merger competitive consequence of the acquisition. A strong acquisition produces genuine cost synergies, capacity efficiencies, or capability integration. A weak acquisition does not. The model does not explain why either type acquired the target; it examines how, conditional on acquisition, the acquirer communicates the acquisition's competitive consequence.

Messages: commitment versus quiet disclosure

The acquirer chooses one of two messages:

- a : the announcement includes a verifiable competitive commitment.
- n : the announcement is quiet or low-intensity; it discloses the acquisition but does not include a verifiable competitive commitment.

Sending a costs $s \geq 0$ in the baseline model. This cost is the incremental ex ante exposure cost of making a specific, public, verifiable claim. It includes reputational exposure, loss of flexibility, capital-market scrutiny, managerial attention, and potential regulatory or competitive scrutiny. It is not the purchase price, the full integration cost, or the entire economic cost of the acquisition. Sending n has no incremental signaling cost.

Verifiability has a precise but limited role in the baseline. The model does not assume that the rival can verify the acquirer's type at the announcement date. Instead, the rival observes a claim whose future realization can be assessed. The baseline summarizes the exposure created by that public claim as s . In that sense, the baseline is formally equivalent to a costly communication or money-burning model. This is intentional: the baseline isolates the product-market benefit-side mechanism before adding outcome-dependent penalties.

A richer representation decomposes the cost of a as

$$s + \phi p_\theta,$$

where, s is common ex ante exposure, ϕ is the penalty from missing the commitment, and p_θ is the probability that type θ misses the target. If $p_H > p_L$, verifiability creates a type-dependent expected cost. Corollary 1 shows that this reinforces the baseline separating logic. The baseline deliberately sets $\phi = 0$ to ask a sharper question: can commitment content separate types even before type-dependent failure penalties are invoked?

The commitment is also not assumed to be legally binding in the way a contract or capacity reservation might be. If the commitment mechanically fixed future product-market conduct, the model would need to include a direct commitment effect in the Cournot stage.

The baseline instead treats the commitment as a public claim that affects beliefs and creates expected exposure. This is a deliberate decomposition: the paper studies the informational channel of public commitments, not the full operational effect of executing the announced plan. A richer model could add a direct operational constraint, but doing so is not required for the endogenous credibility result.

Timing

The timing is:

1. Nature draws A 's type $\theta \in \{L, H\}$, observed by A but not by B .
2. A chooses message $m \in \{a, n\}$.
3. B observes m and forms posterior belief $\mu(m) = \Pr(\theta = L|m)$.
4. A and B compete in a product-market stage. A knows its type; B chooses conduct based on its posterior belief.
5. Payoffs are realized.

The equilibrium concept is perfect Bayesian equilibrium (Fudenberg & Tirole, 1991). Beliefs obey Bayes' rule on the equilibrium path. Off-path beliefs are disciplined by the intuitive criterion of Cho and Kreps (1987) in Section 6.

Product-market stage

The baseline product-market stage is Cournot competition with linear inverse demand:

$$p = \alpha - (q_A + q_B),$$

where, α is large enough for interior outputs in the parameter range considered. The rival's posterior expected cost of the acquirer is

$$c^-(\mu) = \mu c_L + (1 - \mu)c_H = c_H - \mu\Delta.$$

The Cournot assumption is a scope condition, not a universal claim. It captures settings in which product-market actions are strategic substitutes: output, capacity, coverage, or market presence. If the relevant competitive action is advertising, R&D, or platform subsidization, the sign of the rival response may differ.

Admissible parameter region

The analysis focuses on the interior region in which both firms produce for all posterior beliefs $\mu \in [0, 1]$ and both types obtain a positive gross gain from being believed strong. A sufficient set of conditions is

$$\alpha + c_B > 2c_H, \quad \alpha > 2c_B - c_L.$$

The first condition ensures that even the weak acquirer produces at the pessimistic posterior $\mu = 0$; it also implies $B(H) > 0$ because $4(\alpha + c_B) > 8c_H > 7c_H + c_L$. The second condition ensures that the rival produces even when it is certain that the acquirer is strong. These conditions rule out corner cases in which mimicry is irrelevant because the weak type gains nothing from being believed strong. The comparative statics can be extended to boundary cases, but the main signaling logic is clearest in this admissible region.

PRODUCT-MARKET BELIEFS AND RIVAL ACCOMMODATION

Lemma 1. Bayesian Cournot subgame. For any posterior belief μ , the Bayesian Cournot equilibrium is

$$q_B^*(\mu) = \frac{\alpha - 2c_B + c_H - \mu\Delta}{3},$$

and

$$q_A^*(\theta, \mu) = \frac{2\alpha + 2c_B - c_H + \mu\Delta - 3c_\theta}{6}, \quad \theta \in \{L, H\}.$$

At the acquirer's optimum,

$$\pi_A(\theta, \mu) = \left[q_A^*(\theta, \mu) \right]^2.$$

Moreover,

$$\frac{\partial q_B^*(\mu)}{\partial \mu} = -\frac{\Delta}{3} < 0, \quad \frac{\partial q_A^*(\theta, \mu)}{\partial \mu} = \frac{\Delta}{6} > 0.$$

Proof. Each type of A best responds according to

$$q_A(\theta) = \frac{\alpha - q_B - c_\theta}{2}.$$

Firm B best responds to expected output by A :

$$q_B = \frac{\alpha - E[q_A] - c_B}{2}.$$

Because

$$E[q_A] = \frac{\alpha - q_B - c^-(\mu)}{2},$$

substitution gives

$$q_B^*(\mu) = \frac{\alpha - 2c_B + c^-(\mu)}{3} = \frac{\alpha - 2c_B + c_H - \mu\Delta}{3}.$$

Substituting this expression into A 's best response yields $q_A^*(\theta, \mu)$. The profit expression follows from $p - c_\theta = q_A^*(\theta, \mu)$ at the Cournot optimum. The derivatives follow from $\Delta > 0$. $\square$

Lemma 1 formalizes the accommodation mechanism (Figure 1, Panel B). When B becomes more confident that A is strong, B reduces output. The rival's belief therefore has payoff consequences for A . Being believed strong is valuable because it induces the rival to soften product-market conduct.

Define the gross belief premium for type θ as the gain from being believed strong rather than weak:

$$B(\theta) = \pi_A(\theta, 1) - \pi_A(\theta, 0).$$

Using Lemma 1,

$$B(L) = \frac{\Delta(4\alpha + 4c_B - c_H - 7c_L)}{36},$$

and

$$B(H) = \frac{\Delta(4\alpha + 4c_B - 7c_H - c_L)}{36}.$$

Proposition 1. Endogenous single crossing. The strong type's belief premium strictly exceeds the weak type's belief premium:

$$B(L) - B(H) = \frac{\Delta^2}{6} > 0.$$

Proof. Subtracting the two premia yields

$$B(L) - B(H) = \frac{\Delta[(4\alpha + 4c_B - c_H - 7c_L) - (4\alpha + 4c_B - 7c_H - c_L)]}{36} = \frac{\Delta[6(c_H - c_L)]}{36} = \frac{\Delta^2}{6}.$$

$\square$

This result is the paper's core mechanism. Credibility does not come from assuming that commitments are cheaper for strong acquirers. It comes from the product-market value

of the rival's induced accommodation. The strong type can exploit rival accommodation at a larger scale, so the same favorable belief is worth more to the strong type than to the weak type.

The exact value $\Delta^2/6$ is specific to the linear Cournot benchmark. The qualitative single-crossing mechanism is broader. It requires two conditions: first, a favorable posterior about the acquirer's strength induces the rival to accommodate; second, the strong acquirer has a higher marginal return to that accommodation than the weak acquirer. Linear Cournot competition makes these conditions transparent and yields a closed-form wedge, but the contribution is the payoff-based source of credibility rather than the numerical coefficient itself.

CREDIBILITY OF VERIFIABLE COMPETITIVE COMMITMENTS

Separating equilibrium

Consider a separating equilibrium in which the strong type includes the verifiable commitment and the weak type does not:

$$L \rightarrow a, \quad H \rightarrow n.$$

Bayes' rule implies

$$Pr(L|a) = 1, \quad Pr(L|n) = 0.$$

The strong type is willing to send the commitment if

$$\pi_A(L, 1) - s \geq \pi_A(L, 0),$$

or

$$s \leq B(L).$$

The weak type is unwilling to mimic if

$$\pi_A(H, 1) - s \leq \pi_A(H, 0),$$

or

$$s \geq B(H).$$

Proposition 2. Separating commitment equilibrium. A separating PBE in which only the strong acquirer includes the verifiable competitive commitment exists if and only if

$$B(H) \leq s \leq B(L).$$

The separating interval has width

$$B(L) - B(H) = \frac{\Delta^2}{6}.$$

Proof. The two incentive constraints are necessary and sufficient because product-market strategies are sequentially rational by Lemma 1 and on-path beliefs are determined by Bayes' rule. Proposition 1 ensures that the interval has positive width whenever the relevant premia are positive. $\square$

Proposition 2 gives the basic credibility logic. A verifiable competitive commitment reveals strength only when it is costly enough to deter weak-type mimicry and cheap enough to be worthwhile for the strong type. If $s < B(H)$, the weak type mimics. If $s > B(L)$, even the strong type remains quiet.

Corollary 1. Verification penalties and type-dependent commitment costs. Suppose the expected cost of making the verifiable commitment is

$$s + \phi p_\theta,$$

where, s is common ex ante exposure, $\phi \geq 0$ is the penalty from missing the stated target, and p_θ is the probability that type θ misses the target. A separating equilibrium with $L \rightarrow a$ and $H \rightarrow n$ exists if and only if

$$s + \phi p_L \leq B(L) \quad \text{and} \quad s + \phi p_H \geq B(H).$$

If $p_H > p_L$, verifiability widens the separating region relative to the common-cost baseline. If $p_H = p_L$, the condition collapses to the common-cost model with an adjusted cost. If $p_H < p_L$, separation becomes harder.

Proof. The strong type's incentive constraint is $\pi_A(L, 1) - s - \phi p_L \geq \pi_A(L, 0)$, equivalent to $s + \phi p_L \leq B(L)$. The weak type's no-mimicry constraint is $\pi_A(H, 1) - s - \phi p_H \leq \pi_A(H, 0)$, equivalent to $s + \phi p_H \geq B(H)$. $\square$

Corollary 1 clarifies why the baseline is conservative. If verifiability means that weak acquirers are more likely to miss the promised target, then verifiability directly increases the weak type's expected cost of sending the commitment. The distinctive baseline result is that separation can occur even without using this additional cost asymmetry.

Interpreting the signal-cost window

The signal-cost window has a direct substantive interpretation. A vague statement that the deal will create “substantial synergies” is likely to have a low s . It does not expose the acquirer to much penalty if the claim fails. Such language should pool. A commitment that specifies a dated cost target, observable integration milestone, or capacity plan has a higher s because it creates exposure. Such a commitment can separate if the exposure is large enough to deter weak types but not so large that strong types avoid it.

The model therefore does not predict that more intense announcement language is always more credible. Credibility requires the right level of commitment. A commitment that is too easy to make is cheap talk. A commitment that is too costly may not be made even by strong acquirers.

POOLING REGIMES AND EQUILIBRIUM REFINEMENT

Plain PBE permits pooling because off-path beliefs can discourage deviations. The main text first summarizes pure-strategy regimes in Table 1; Appendix A3 then records a semi-separating regime in which commitment content is partially informative because the weak type mixes.

Table 1. Pure-strategy PBE regimes and refinement implications

Cost region	Pure-strategy PBE regimes	Refinement implication	Interpretation
$s < B(H)$	Separation fails because the weak type mimics. High-commitment pooling can be sustained when the cost is sufficiently low and off-path quiet disclosure is interpreted pessimistically.	The intuitive criterion does not generally eliminate high-commitment pooling because the weak type is not excluded from a favorable off-path quiet deviation.	Commitment is too cheap to reveal strength; both types can make it.

Cost region	Pure-strategy PBE regimes	Refinement implication	Interpretation
$B(H) \leq s \leq B(L)$	Separating equilibrium exists. Quiet pooling may also be sustained under pessimistic off-path beliefs.	Quiet pooling fails the intuitive criterion when $T(H; \mu_0) < s < T(L; \mu_0)$.	Commitment can credibly reveal strength.
$s > B(L)$	Separation fails because the strong type will not pay. Quiet pooling is the natural regime.	Quiet pooling generally survives because no type has enough gain to deviate to the costly commitment.	Commitment is too costly.

Reverse separation, in which the weak type sends a and the strong type sends n , is not sustainable under the maintained assumption that both types prefer being believed strong. Under reverse separation, a would identify the weak type and n would identify the strong type. The weak type would pay a cost to be identified as weak, while it could instead choose n and be identified as strong. Thus reverse separation cannot be sequentially rational.

The model is therefore best read as a **regime theory**, not as a claim of unique equilibrium selection for every parameter value. Its predictive content lies in how observable commitment cost, specificity, prior beliefs, strength gaps, and multimarket contact move the setting across pooling and separating regimes. When commitments are cheap, both types can make them; the commitment becomes conventional, and the model predicts not that commitment language reveals strength but that such language loses informational content. In the intermediate region, commitments can reveal strength, and quiet pooling is vulnerable to forward-induction reasoning under the conditions below. In the high-cost region, even strong acquirers remain quiet.

Quiet pooling and the intuitive criterion

Suppose both types choose n , so the on-path belief is μ_0 . Define the prior-dependent incremental gain from moving the rival's belief from the prior to certainty of strength:

$$T(\theta; \mu_0) = \pi_A(\theta, 1) - \pi_A(\theta, \mu_0).$$

A weak type is excluded from an off-path deviation to a if even the most favorable belief, $\mu = 1$, cannot make the deviation profitable:

$$s > T(H; \mu_0).$$

A strong type is not excluded if the same deviation could be profitable:

$$s < T(L; \mu_0).$$

The local single-crossing wedge is

$$T(L; \mu_0) - T(H; \mu_0) = \frac{(1-\mu_0)\Delta^2}{6} > 0.$$

Proposition 3. Refinement of quiet pooling. If both types pool on quiet disclosure and

$$T(H; \mu_0) < s < T(L; \mu_0),$$

then the quiet-pooling equilibrium fails the intuitive criterion.

Proof. If $s > T(H; \mu_0)$, the weak type cannot profitably deviate to a even if the rival assigns probability one to strength. The weak type is therefore excluded. If $s < T(L; \mu_0)$, the strong type could profit from deviating if the rival assigns probability one to strength. The intuitive criterion requires the off-path commitment to be attributed to the strong type. Given that belief, the strong type deviates profitably, contradicting quiet pooling. $\square$

The refinement result is intentionally prior dependent. If the rival already believes the acquirer is likely strong, the strong type has less reason to distinguish itself. Therefore, the model does not assert that all quiet-pooling equilibria disappear whenever separation is feasible. It specifies the prior-adjusted condition under which a commitment is a credible deviation by the strong type.

High-commitment pooling

If both types choose a , the rival's on-path belief remains μ_0 . This regime corresponds to commitment language that is not costly enough to sort types. Appendix A gives a simple

sufficient condition for high-commitment pooling when off-path quiet disclosure is interpreted pessimistically. The intuitive criterion does not generally remove this regime in the low-cost region. The off-path message n is costless, and under a sufficiently favorable off-path belief both types could benefit from deviating by saving the cost s . Hence the weak type is not naturally excluded from the deviation. Substantively, high-commitment pooling is the regime in which commitments become conventional. If every acquirer can make similar verifiable-looking claims at low cost, the content of the announcement conveys little information about true strength.

COMPARATIVE STATICS AND SCOPE CONDITIONS

Signal cost

Credibility is an intermediate-cost phenomenon (Figure 1, Panel A). Low-cost commitments are easy to mimic. High-cost commitments are unattractive even for strong acquirers. The empirical implication is that announcement content should be most informative when it is specific and verifiable enough to create exposure, but not so costly that only exceptional or regulated transactions can make it.

Strength gap

The separating interval widens with the square of the post-merger cost gap:

$$B(L) - B(H) = \frac{\Delta^2}{6}.$$

Larger differences between strong and weak post-merger acquirers make credible commitment easier because the strong type gains disproportionately from the rival's favorable belief.

The weak type's absolute mimicry incentive is not monotone in Δ . Substituting $c_H = c_L + \Delta$ into $B(H)$ gives

$$B(H) = \frac{\Delta(4\alpha + 4c_B - 8c_L - 7\Delta)}{36}.$$

This expression is single-peaked over the relevant interior range. When Δ is small, being mistaken for strong produces little rival accommodation. When Δ is very large, the weak type's own output scale is too low to benefit much. Mimicry is most attractive at intermediate strength gaps.

Strategic substitutes

The accommodation prediction is not universal. It follows from the strategic-substitute structure of Cournot competition. The exact value $\Delta^2/6$ is therefore a property of the linear Cournot benchmark, not a general constant. The more general mechanism is payoff-based single crossing: a commitment can separate types when the rival's induced conduct changes the sender's payoff and the low-cost type has a higher marginal return to that induced conduct than the high-cost type.

The paper's primary domain is capacity, output, cost, and market-coverage competition. In strategic-complement settings, such as advertising races, R&D escalation, or platform subsidies, believing the acquirer is strong may induce the rival to escalate rather than accommodate. The logic can be reinterpreted for those settings, but the sign of the rival response and the empirical prediction would change.

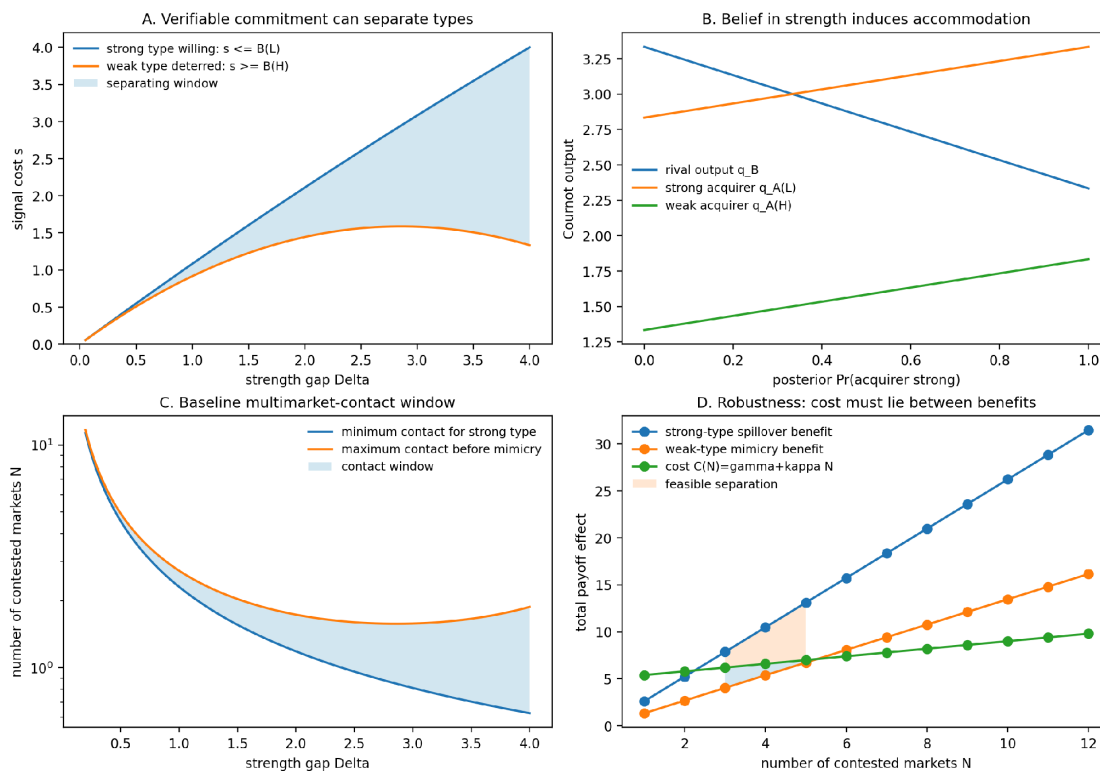


Figure 1. Credibility of verifiable competitive commitments in acquisition announcements

Panel A shows the baseline signal-cost window. Panel B shows rival accommodation as posterior belief in strength increases. Panel C shows the multimarket-contact window when the commitment has a one-time corporate-level cost. Panel D illustrates the

robustness extension with a marginal per-market cost; the shaded region appears only where total cost lies between the weak-type mimicry benefit and the strong-type signaling benefit.

MULTIMARKET CONTRACT

Baseline corporate-level commitment

Suppose A and B compete in N symmetric markets. A single corporate-level commitment in the acquisition announcement shifts B 's belief about A 's strength in all N markets. The cost of making the commitment is paid once and is denoted γ . The per-market belief premia are $B(L)$ and $B(H)$.

The strong type sends the commitment if

$$NB(L) \geq \gamma.$$

The weak type does not mimic if

$$NB(H) \leq \gamma.$$

Proposition 4. Baseline multimarket-contact window. With common belief spillover across N symmetric markets and a one-time corporate-level commitment cost γ , a separating equilibrium exists if and only if

$$\frac{\gamma}{B(L)} \leq N \leq \frac{\gamma}{B(H)},$$

assuming $B(H) > 0$ and treating N as an integer satisfying the inequalities.

Proof. Combining the strong type's participation constraint, $NB(L) \geq \gamma$, with the weak type's no-mimicry constraint, $NB(H) \leq \gamma$, gives the interval. Since $B(L) > B(H)$, the lower bound does not exceed the upper bound when both premia are positive. $\square$

Figure 1, Panel C illustrates this baseline contact window. The proposition should be interpreted narrowly. It applies when the commitment is corporate-level and sufficiently fixed-cost-like: one public commitment affects rival beliefs across several markets without requiring fully separate commitments in each market. Under that condition, multimarket contact has two opposing effects. It increases the strong type's return from being believed strong, but it also increases the weak type's return from mimicry. Credible signaling is sustainable only when contact is high enough to motivate the strong type but not so high that mimicry becomes too attractive.

Robustness: imperfect spillover and marginal market cost

Figure 1, Panel D illustrates the robustness case. The baseline assumes full spillover and one-time cost. To make the scope of Proposition 4 explicit, introduce spillover intensity $\lambda \in [0, 1]$ and a cost function

$$C(N) = \gamma + \kappa N,$$

where, γ is the fixed component and κ is the marginal cost of extending the commitment across markets. The cleanest interpretation of λ is the fraction of contacted markets in which the corporate-level commitment moves the rival's posterior from weak to strong in the same way as the baseline. If instead λ is interpreted as a partial belief shift within every market, the effective spillover is not exactly common across types because $\pi_A(\theta, \mu)$ is nonlinear in μ ; in that case the strong type's effective spillover is generally larger, so the common- λ formulation is a conservative simplification. Separating requires

$$\lambda NB(L) \geq \gamma + \kappa N,$$

and

$$\lambda NB(H) \leq \gamma + \kappa N.$$

If $\lambda B(L) \leq \kappa$, the strong type never finds the commitment worthwhile. If $\lambda B(L) > \kappa$, the strong type requires

$$N \geq \frac{\gamma}{\lambda B(L) - \kappa}.$$

If $\lambda B(H) > \kappa$, the weak-type constraint imposes the upper bound

$$N \leq \frac{\gamma}{\lambda B(H) - \kappa}.$$

If $\lambda B(H) \leq \kappa$, the weak type's marginal mimicry benefit does not exceed the marginal cost of extending the commitment, so high contact does not necessarily destroy separation. Thus the contact-window result is strongest when commitment spillover is large and the marginal cost of applying the commitment across markets is limited. This qualification is essential: the paper does not claim that multimarket contact always undermines signaling at high levels. It claims that a credibility window arises for corporate-level commitments with substantial fixed-cost and spillover components.

Appendix A5 states the general condition explicitly and shows how the baseline window follows as the special case $\lambda = 1$ and $\kappa = 0$.

Relation to mutual forbearance

The model is not a repeated-game derivation of tacit coordination. It identifies an informational condition under which individual acquisition announcements are more or less likely to reveal type. In low-contact settings, the strong type may not gain enough from committing. In very high-contact settings with strong spillover and limited marginal cost, weak-type mimicry may make the commitment pool. In such cases, rivals may rely more on prior beliefs, repeated-contact expectations, and broader multimarket rivalry than on the content of one acquisition announcement. The model therefore complements mutual-forbearance theories by specifying when announcement content is likely to matter as an information source.

EMPIRICAL IMPLICATIONS

The empirical implications should use ex ante observable variables. Credibility should not be inferred from rival accommodation and then used to predict accommodation. The theory points to four empirical implications. The first two concern the baseline signaling mechanism; the third translates the multimarket-contact window into a population-level prediction; the fourth tests whether verifiability creates real exposure.

H1. Verifiable commitment and rival accommodation. In strategic-substitute markets, acquisition announcements that include verifiable competitive commitments should be followed by greater rival accommodation than announcements with vague or non-verifiable language.

H2a. Commitment specificity and observable strength. Specific and verifiable commitments should be more strongly associated with ex ante indicators of genuine post-merger strength than vague synergy language, provided the implied commitment cost is not prohibitively high.

H2b. Commitment specificity and rival response. Conditional on deal characteristics and ex ante strength indicators, the association between announcement content and rival accommodation should be stronger for verifiable commitments than for vague synergy claims.

H2a and H2b are related but not equivalent. H2a concerns the sorting of announcement content by acquirer type. H2b concerns the receiver's product-market response to that content. The empirical challenge is that commitment specificity is not randomly assigned. Specificity may also reflect firm size, investor-relations capability, analyst coverage, regulatory scrutiny, public-company disclosure practice, and deal complexity.

Tests should therefore treat specificity as an endogenous announcement attribute and condition on observable deal and acquirer characteristics as far as possible.

H3. Conditional multimarket-contact window. When commitments are corporate-level and have substantial fixed-cost spillover, the effect of verifiable commitment on rival accommodation should be concentrated in the contact range in which the commitment cost lies between the weak type's mimicry benefit and the strong type's signaling benefit. In a heterogeneous empirical population, this window may appear as an inverse-U-shaped association between multimarket contact and the informational effect of commitment content. The inverse-U is therefore a cross-sectional translation of the theoretical window, not a primitive continuous prediction of the model.

H4. Penalties for missed commitments. If verifiability creates real exposure, failure to meet a previously announced commitment should be followed by observable penalties, such as negative analyst revisions, lower investor credibility for subsequent acquisition announcements, more skeptical rival responses to later commitments, or increased regulatory and stakeholder scrutiny. This hypothesis tests the empirical counterpart of the signal cost rather than the rival-accommodation mechanism itself.

Possible measures follow from the narrowed theory. Verifiable commitment can be coded from announcement text using the presence of quantified cost-synergy targets, dated integration milestones, specific capacity commitments, market-coverage commitments, or public operating targets. Commitment cost can be proxied by the specificity of the target, irreversibility of the announced action, regulatory exposure, analyst scrutiny, and reputational exposure if the target is missed. Strength gap can be proxied by acquirer-target relatedness, pre-acquisition cost position, acquirer integration experience, resource complementarity, productivity, and analyst evaluations of synergy feasibility. Multimarket contact can be measured using standard overlap indices across product or geographic markets. Rival conduct can be measured by output, capacity, price, entry, exit, product-line changes, or subsequent acquisitions.

Identification must separate signal content from confounds. Specific commitments may correlate with deal size, public-company disclosure practices, analyst coverage, acquirer reputation, regulatory scrutiny, and the objective quality of the acquisition. Empirical tests should therefore control for deal size, relatedness, payment method, public/private status, acquirer acquisition experience, prior performance, analyst coverage, antitrust exposure, and the firm's prior tendency to provide detailed forecasts. The cleanest tests compare rival responses to announcements that are similar in deal characteristics but differ in the specificity and verifiability of their competitive commitments, and then examine whether missed commitments reduce the credibility of later announcements.

Table 2. Summary of equilibrium regimes and observable implications

Condition	Equilibrium implication	Rival interpretation / response	Observable implication
Low commitment cost	High-commitment pooling is sustainable; both types can make the commitment.	The commitment carries little type information; the rival relies more heavily on prior beliefs.	Highly conventional or low-exposure commitment language should weakly predict rival accommodation.
Intermediate commitment cost	A separating equilibrium can exist because the strong type values favorable beliefs more than the weak type.	A verifiable commitment increases the posterior probability that the acquirer is strong; the rival accommodates in strategic-substitute markets.	Specific, verifiable commitments should be followed by greater rival accommodation than vague or non-verifiable language.
High commitment cost	Quiet pooling is more likely because even the strong type may not find commitment worthwhile.	Absence of a commitment need not imply weakness; the signal is too costly to use.	Very high-exposure commitments should be uncommon even among objectively strong acquirers.
Low multimarket contact	The strong type may gain too little from a corporate-level signal to separate.	The announcement has limited cross-market informational value.	Commitment content should have weaker effects on rival conduct when the firms overlap in few relevant markets.
Intermediate multimarket contact	Separation is most feasible when cross-market spillover raises the strong type's return	The rival can use commitment content as an informative signal across overlapping markets.	The informational effect of verifiable commitment should be strongest inside

Condition	Equilibrium implication	Rival interpretation / response	Observable implication
	without making mimicry too attractive.		the model's contact window.
Very high multimarket contact with strong spillover and limited marginal cost	Weak-type mimicry can erode separation and produce pooling.	Commitment content becomes less diagnostic of true strength.	In heterogeneous samples, the informational effect of commitment may weaken beyond an intermediate range of multimarket contact.

MANAGERIAL IMPLICATIONS

The model has direct implications for managers who design, interpret, and respond to acquisition announcements. For acquiring firms, the central implication is that greater specificity is not automatically more persuasive. A competitive commitment is informative only when it creates enough exposure to be difficult for a weaker acquirer to imitate while remaining worthwhile for a genuinely strong acquirer. Quantified synergy targets, dated integration milestones, capacity plans, and market-coverage commitments can therefore be more credible than generic claims that a transaction is “transformational” or “strategic,” but only if subsequent performance can be compared with the announced target. Managers should treat commitment design as a credibility problem, not simply as an investor-relations exercise: claims that are too easy to make become conventional, whereas claims that are excessively restrictive may deter even firms with genuine post-acquisition advantages from making them.

For rival firms, the analysis suggests that the fact of an acquisition and the content of its announcement should be evaluated separately. A rival should not infer competitive strength merely because a transaction has been announced. Instead, managers can assess whether the announcement contains observable commitments, whether the targets are specific enough to be evaluated ex post, and whether failure would expose the acquirer to meaningful reputational, capital-market, regulatory, or competitive penalties. This distinction provides a practical screening rule for competitive intelligence. Vague synergy language is predicted to have limited sorting value, whereas verifiable commitments deserve greater

attention because they can change the rival's posterior assessment of post-merger strength. The relevant managerial response is therefore conditional rather than mechanical: accommodation is most defensible when commitment content is credible and the underlying product-market actions are strategic substitutes.

Multimarket contact further qualifies this interpretation. Managers of diversified firms should not assume that greater market overlap always makes acquisition signals more credible. When a corporate-level commitment affects beliefs in several markets, additional contact raises the potential benefit of being perceived as strong, but it also raises the return to imitation by a weaker acquirer. The model therefore implies a credibility window rather than a monotonic relationship. In low-contact settings, a strong acquirer may have too little incentive to incur the commitment cost. In very high-contact settings, especially when the commitment has a large fixed component and limited marginal cost across markets, mimicry may become attractive and the signal may pool. Rival managers should consequently corroborate announcement content with observable indicators of integration feasibility, cost position, capacity, market coverage, and prior execution rather than treating multimarket contact itself as proof of credibility.

The framework also has implications for boards, investor-relations teams, analysts, and regulators because the same public commitment is observed by multiple audiences. A commitment intended to reassure investors can simultaneously alter rival behavior and create an ex post benchmark against which management will be judged. Firms should therefore coordinate financial communication and competitive strategy when announcing measurable post-merger targets. Clear definitions, realistic time horizons, and consistent follow-up reporting increase the informational value of the commitment and reduce the risk that repeated but weakly enforced promises become cheap talk. From a governance perspective, tracking whether announced commitments are subsequently met is also important because the model's credibility mechanism depends on real exposure to nonperformance.

BOUNDARY CONDITIONS AND EXTENSIONS

First, the model applies to product-market relevant acquisitions. Purely financial acquisitions or acquisitions with no plausible competitive effect on the rival do not fit the mechanism.

Second, the signal must be verifiable. Vague language is predicted to pool. The theory is about public commitments that specify observable cost, capacity, integration, or coverage consequences.

Third, the baseline product-market stage assumes strategic substitutes. The predicted rival response is accommodation. In strategic-complement environments, the model should be reinterpreted as a theory of whether the announcement induces escalation rather than accommodation.

Fourth, the baseline commitment cost is type independent. Section 3.2 and Corollary 1 explain this modeling choice. If genuine synergies make commitments cheaper or expected failure penalties lower for strong acquirers, separation becomes easier. If strong acquirers face greater regulatory or opportunity costs, separation becomes harder. Thus type-dependent costs are an important extension, but the baseline shows that they are not required for credibility.

Fifth, the model conditions on an acquisition. A fuller model could endogenize the acquisition decision, the commitment decision, and the possibility that weak firms acquire precisely to imitate strong firms. That extension would be valuable but is not needed for the present question, which concerns interpretation of announcement content conditional on acquisition.

Sixth, the model has one-sided incomplete information. Rivals may also have private information and may respond with counter-signals or defensive acquisitions. A two-sided model could generate signaling races and acquisition waves.

Seventh, repeated interaction is outside the formal baseline. A repeated-game extension could connect high-contact pooling to mutual forbearance more directly. The present model provides the informational foundation for such an extension.

CONCLUSION

This paper narrows the theory of acquisition announcements to verifiable competitive commitments. The key strategic choice is not whether to disclose an acquisition, but whether to attach to the disclosure a public, specific, and costly commitment about post-merger competitive strength. This narrower object avoids treating all announcement language as equivalent and makes the signaling mechanism empirically observable.

The model shows that such commitments can credibly signal strength in strategic-substitute markets. A rival that believes the acquirer is strong accommodates. The acquirer benefits from being believed strong. The strong type benefits more than the weak type, generating an endogenous single-crossing wedge of $\Delta^2/6$. A separating equilibrium exists when the commitment cost lies between the weak type's mimicry gain and the strong type's signaling gain.

The multimarket extension shows that credibility can also depend on the structure of rivalry. When a corporate-level commitment spills over across markets and has a sufficiently fixed-cost component, credible signaling is sustainable within a contact window. Too little contact gives the strong type too little incentive to commit. Too much contact can make mimicry attractive for the weak type. This result is conditional, not universal, and the paper specifies the spillover and cost conditions under which it holds.

The broader implication is that rivals should not treat all acquisition announcements alike. Vague announcements should pool. Verifiable competitive commitments should reveal strength only when commitment costs, type differences, and market overlap jointly support separation. The theory therefore converts the broad intuition that rivals interpret acquisitions into a focused set of formal and testable claims about when acquisition announcement content is informative.

A useful way forward is to test the model with announcement-level data that link verifiable commitments to subsequent rival conduct and to the eventual fulfillment of announced targets. Future theoretical work can relax the baseline assumptions by allowing strategic complements, endogenous acquisition and commitment choices, and two-sided incomplete information or repeated interaction. It would also be valuable to model heterogeneous verification penalties and imperfect cross-market spillovers more explicitly. These extensions would clarify when the signaling mechanism travels beyond the strategic-substitute, one-sided-information benchmark developed here.

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Appendix A. Additional Equilibrium Details

A1. Local single crossing around the prior

Recall

$$T(\theta; \mu_0) = \pi_A(\theta, 1) - \pi_A(\theta, \mu_0).$$

Since $q_A^*(\theta, \mu)$ is affine in μ with slope $\Delta/6$, the movement from μ_0 to 1 is common across types. The difference in local belief premia is

$$T(L; \mu_0) - T(H; \mu_0) = \frac{(1-\mu_0)\Delta^2}{6}.$$

This expression declines as μ_0 rises. If the rival already believes the acquirer is likely strong, the strong type has less incremental incentive to distinguish itself.

A2. High-commitment pooling and refinement

If both types choose a , the on-path belief after a is μ_0 and both types pay s . Suppose the off-path belief after n is 0. Type θ does not deviate from a to n if

$$\pi_A(\theta, \mu_0) - s \geq \pi_A(\theta, 0).$$

Thus high-commitment pooling can be sustained if

$$s \leq \pi_A(\theta, \mu_0) - \pi_A(\theta, 0)$$

for both types. The weak type's condition is typically more restrictive. This regime corresponds to commitments that are cheap enough for both types to make, so the signal does not reveal type.

The intuitive criterion does not generally eliminate high-commitment pooling. Consider an off-path deviation to quiet disclosure n . Under the most favorable possible off-path belief, $\mu = 1$, the weak type's deviation payoff is $\pi_A(H, 1)$, which exceeds its on-path payoff $\pi_A(H, \mu_0) - s$ whenever

$$s > \pi_A(H, \mu_0) - \pi_A(H, 1).$$

The right-hand side is negative because $\pi_A(H, 1) > \pi_A(H, \mu_0)$. Therefore, for any $s \geq 0$, the weak type is not equilibrium-dominated in the off-path quiet message when the receiver might attach a favorable belief to that deviation. The intuitive criterion consequently does not force the receiver to assign the quiet deviation to the strong type. High-commitment pooling is therefore a natural low-cost regime rather than a refinement artifact.

A3. Semi-separating commitments

The main text characterizes pure-strategy regimes. A semi-separating regime can also arise when commitments are neither fully conventional nor fully separating. Consider a strategy in which the low-cost type always sends a , while the high-cost type sends a with probability $\rho \in (0, 1)$ and n with probability $1 - \rho$. Since only the high-cost type sends n , the posterior after n is 0. The posterior after a is

$$\mu_a = \frac{\mu_0}{\mu_0 + (1 - \mu_0)\rho}.$$

The high-cost type mixes only if it is indifferent between sending and not sending the commitment:

$$\pi_A(H, \mu_a) - s = \pi_A(H, 0).$$

Let $G_H(\mu) = \pi_A(H, \mu) - \pi_A(H, 0)$. In the admissible parameter region, $G_H(\mu)$ is continuous and increasing on $[0, 1]$, with $G_H(0) = 0$ and $G_H(1) = B(H)$. Hence for any $s \in (0, B(H))$ there is a unique posterior $\mu_s \in (0, 1)$ solving

$$G_H(\mu_s) = s.$$

A semi-separating equilibrium of this form exists when $\mu_s \geq \mu_0$, so that the required mixing probability

$$\rho = \frac{\mu_0(1 - \mu_s)}{\mu_s(1 - \mu_0)}$$

lies in $[0, 1]$. Equivalently, the cost must be high enough that the high-cost type is not already willing to send the commitment at the prior posterior, but low enough that it would send the commitment if the posterior after a were sufficiently favorable:

$$\pi_A(H, \mu_0) - \pi_A(H, 0) \leq s < B(H).$$

The low-cost type's incentive to send a is then satisfied because the local belief premium is larger for the low-cost type than for the high-cost type. Substantively, semi-separation is the empirically natural intermediate case: verifiable commitment content is informative, but not perfectly so. Some high-cost acquirers mimic, and the posterior after a commitment lies between the prior and certainty. In a two-type environment, D1-style reasoning leads to the same qualitative sorting logic as the intuitive criterion used in the main text.

A4. Reverse separation

Reverse separation would require $H \rightarrow a$ and $L \rightarrow n$. On the equilibrium path, a would reveal weakness and n would reveal strength. The weak type would then receive

$$\pi_A(H, 0) - s$$

from sending a , while deviating to n would yield

$$\pi_A(H, 1).$$

Since $s \geq 0$ and $\pi_A(H, 1) > \pi_A(H, 0)$ when $B(H) > 0$, the weak type strictly prefers deviation.

Reverse separation is therefore not a PBE in the relevant parameter range.

A5. Robust multimarket condition

With spillover intensity λ and cost $C(N) = \gamma + \kappa N$, separation requires

$$\lambda NB(L) \geq \gamma + \kappa N$$

and

$$\lambda NB(H) \leq \gamma + \kappa N.$$

If $\lambda B(L) \leq \kappa$, the strong type never finds commitment worthwhile. If $\lambda B(L) > \kappa$, the lower bound is

$$N \geq \frac{\gamma}{\lambda B(L) - \kappa}.$$

If $\lambda B(H) > \kappa$, the upper bound is

$$N \leq \frac{\gamma}{\lambda B(H) - \kappa}.$$

If $\lambda B(H) \leq \kappa$, the weak-type constraint does not impose an upper bound. The baseline window is the special case $\lambda = 1$ and $\kappa = 0$.