Example of merger, acquisition, and international strategies research paper

Business, Company

America’s Car-Mart Inc is a public company that deals with used cars; the firm targets customers who have limited or poor credit situation. It offers financing to its customers, a factor that has made it successful over time. The company has over seventy used-car dealerships. The company allows a potential client to pay about 17% of the automobile’s cost as a down payment. The payment schedule is flexible as the customer can make several payments in a month’s time; the average cost of the firm’s automobiles is $6200. Customer satisfaction is the priority of Car-Mart Inc; the employees are fast to respond to the clients’ complaints, which enable the firm to retain customer loyalty. A customer receives a letter from the company in case of a one-day failure to pay, a call if three days pass without payment, and then the firm repossesses the vehicle after forty days without payment. This indicates that Car-Mart Inc has a high level of customers’ concern as it gives them enough time to make payments.

The presence of a lucrative market segment in the 1980’s and 1990’s made America’s Car-Mart expand its operations to acquire increased profits. The main market segment was rural areas, where people had high demand for cars compared to the large metropolitan regions where there are massive transit systems. The market segment would make it easier to track down those who failed to pay for the automobiles compared to the people who live in congested urban areas. Car Mart Inc focused on recouping funds that had been credited to its customers, and the selected market niche made this possible. The Car-Mart Inc’s success is attributed to the proper execution of its financial model, which is based on ‘ buy here pay here’ strategy.

The firm’s expansion strategies have enabled it attain $464. 7 million from automobile sales, for the fiscal year that ended in April 2013. This was 8% growth from the previous year; the company achieved a net income of 32. 2million, and a 2. 5% income growth during the financial year 2013. The existence of competitors in the automobile market has made the company increase its innovativeness to retain market relevance. The main competitors include Automobile Nation, Car Max and Drive Time Automotive. Appropriate employee relationship has enabled Car-Mart Inc increase its efficiency in service delivery. The firm has approximately 1200 employees; there has been 9. 1% employee growth over the last financial year.

The Most Profitable Merger

The profitable candidate for Car-Mart Inc to merge with would be AutoNation Inc. this is the largest retailer in the automotive industry in the United States of America. The company deals with both new and pre-owned automobiles. It has 266 dealerships across the country, and its headquarters is at Florida. There are about 20, 000 employees working for the company, who deal with thirty-two manufacturer brands of the firm in fifteen states. The company has a considerable internet presence, where it offers its inventory for online searching by potential customers. AutoNation Inc has total revenue of 55% for the new vehicles, 24% for used automobiles, 16% for parts and service, 4% on the insurance and financing activities, and 1% on other automobile related services. The diversity in service delivery has enabled AutoNation Inc maintain its competitive advantage over other firms in the automotive industry.

According to the reports from the New York Stock Exchange, the AutoNation Inc’s current market share price is at $49. 61 and a beta of 0. 32%; this is higher than American Car-Mart Inc’s share price, which is at $41. 00 and a company’s beta of 0. 002%. American Car-Mart can increase its share in the stock market by merging with the leading retailer in the automotive industry. AutoNation has a strong distribution chain for its products, which makes it the appropriate candidate for Car-Mart Inc to merge with and maximize its market objectives. The extensive market share across the country can enable Car-Mart Inc increase its sales. The two companies can control suppliers’ bargaining power by merging; this measure can be essential in facilitating profit margin increment and reduction of operational costs. AutoNation Inc acquired approximately $317 million in its sales during the financial year 2012. The two firms can attain market power over other automobile retailers, which can enable them attain their organizational objectives.

Proposal for the Business Level Strategy for American Car-Mart Inc

The business-level strategies include activities that a firm incorporates into its operations to enhance achievement of organizational objectives. A company’s departments should formulate strategies to act as a guideline towards accomplishing the targets. American Car-Mart Inc should develop a distinctive competitive advantage to increase its performance in the market. The competitive feature should be difficult to imitate. Investing in unique marketing strategies is one of the ways to develop a distinctive advantage over competitors (Furrer, 2011). American Car-Mart Inc can establish a core competency by availing products at a lower price than the existing market prices. This measure can be achieved by ensuring that it acquires raw materials at lower costs than other competitors. The firm needs to establish healthy relationships with its suppliers to enhance a constant flow of resources at low prices. This business level strategy will enable American Car-Mart Inc increase its productivity, sales, and profitability levels.

Proposal for the Corporate Level Strategy for American Car-Mart Inc

American Car-Mart Inc should focus on diversification strategy; this includes increasing its product brands and market share. The company, which deals with pre-owned cars, should expand its product range by selling new cars and auto-parts to its customers. This measure will enable it attract new customers, and increase its revenue base. American Car-Mart Inc can invest in new market niches such as in large metropolitan regions as there are many potential customers. The high demand for automobiles can create an opportunity for the firm to expand its market share and dominate over other competitors. Market expansion measures require a proper understanding of the market components; a company should attain relevant information regarding customer needs before expanding its operations (McDonald, Burton, Walton, Dowling, & Decieri, 2002). Establishing suitable relationship with potential clients is an essential element in facilitating an increment in American Car-Mart Inc's sales volume.

The Walt Disney Company

The Walt Disney Company has existed in the entertainment market for over 85 years. The firm has retained a comfortable and lasting position in the industry due to its ability to commit to the core values. The core competencies include innovation, brand loyalty, effective leadership, quality service, training, excellent corporate culture, and engagement. The firm, which has a 123. 92 billion-market capitalization, remains the largest in the recreation and leisure industry. This American production studio deals with high quality film and television productions. The Walt Disney Company has acquired several firms over time for instance, the Capital Cities Communications in 1996, Miramax in 1993, the ABC Family Worldwide in 1996, the Marvel Pixar in 2006, entertainment in 2009, and Playdom in 2010. It made a $4 billion acquisition of LucasFilm Ltd in 2012.

The Walt Disney's focus has been on providing high quality services to its customers and increasing its shareholders' value. These factors contributed to acquisition strategies that have enabled the firm diversify its services worldwide. The company's acquisitions had the potential to increase its capabilities in increasing its revenue base. They had several competencies that Walt Disney Company desired, which made them the core target for acquisition. The acquisitions have enabled the firm maintain a competitive advantage and expand its market share in the global entertainment industry. This is due to several products that the firm releases to the market; the diversification of entertainment products has allowed Walt Disney to maintain the customers' loyalty.

The acquisition choice was wise for the firm has it has attained its objectives, including retaining the leading the market position in the entertainment industry. The company has experienced immense growth in its operations over the last few years due to diversification of its services. Walt Disney has been successful in eliminating competitors in the market through acquisitions; this measure has also enabled it to expand its market share globally. The firm’s market cap has increased to approximately $90 billion over the past decade. The acquisition strategy requires adequate knowledge of the competitors’ strategies; this enables the management team to make a relevant decision on the appropriate venture (Krug, 2008). Walt Disney has saved both time and costs by acquiring firms with significant competencies rather than building from scratch.

Walt Disney’s International Business Level Strategy

The company’s two essential business level strategies include differentiation and cost reduction. The management team seeks to integrate the two components to achieve the firm’s objectives. The several acquisitions have helped the firm reduce its operation costs and increase its profitability levels. The company differentiated its products by integrating the customers’ demands into its production process. Designing customer experience has been imperative to the Disney’s operations; this measure has contributed to the company’s increased sales. The compelling and unique brand of the company’s product has enhanced the differentiation strategy, which has improved the level of customer satisfaction. The Walt Disney Company should focus on allowing perfect competition to prevail in the market. This measure will enhance its creativity and innovative aspects, which are essential for improving its performance.

Walt Disney’s International Corporate Level Strategy

The firm has a corporate strategy in value creating measures; this includes edging out existing competitors through acquisitions to acquire an extensive market share. This aspect helps a company to add value to its product in the global market by exploiting the existing economies of scope (Rugman, & Hodgetts, 2003). The diversification strategy has been successful in both the local and international markets, which has facilitated the company's success. The aim of Walt Disney Company is to maximize customer satisfaction in the global market; this measure has been facilitated by differentiation of products to suit the prevailing customer needs. The company can improve its corporate strategies by incorporating stability policies in its planning; continuous acquisitions do not guarantee success, and it, therefore, is crucial to minimize future umber of acquired firms. This measure will enable the company focus on the growth of the existing subsidiaries rather than investing in new ones.

References

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