

# Acquisition strategy – summary

Business



ACQUISITION STRATEGY BY ALBERTO MEDINA MGT: 450 ESSENTIALS FOR STRATEGIC MANAGEMENT INSTRUCTOT: TRAVIS WILLIAMS January 23, 2011

In today's market it is very important for company's to remain competitive in order to maintain an edge over its competitors. The days that a company can rely on its reputation to continue making profits are gone. Today, everyone is looking to save money by buying less expensive items like economy brands, considering that the differences between the two products are similar and the features that are not offered are of little value.

This will make a consumer buy the less expensive item. Like consumers, companies are also looking to save money and maximize profit.

One way of doing this is through acquisition strategies. Combining the operations of two companies is a very good option for companies that are looking to stregthening the company's competincies and competitiveness, this will ultimately open new market opportunities (Gamble/Thompson, p. 119). The benefit of this type of strategy, unlike alliances, they do not go far enough for the resources needed and a very important factor, ownership.

In the following paragraphs, I will give two examples of two different companies in different industries and explain how they will stregthen their market position through acquisiton, to include resources and competitive capabilities. The first example I will use it Wells Fargo & Co.

results from the acquisition of Wachovia Corporation. During the economic crisis Wells Fargo & Co. acquired Wachovia Corp in a bail out to keep the bank from going under. At one point Wachovia was Wells Fargo's competitor.

After the acquisition it made Wells Fargo a banking giant absorbing its competition.

Earnings from that acquisition have earned Wells Fargo Financial & Co.

a 21% earnings since the acquisition, reporting record profits. This acquisition has allowed them to gain market share, this was mostly created by winning new customers. Mortgage loans was the top earner and low rates and prices of homes falling to record lows has allowed the company to grow even in these tough economic times. Additionally, the acquisition of Wacovia Corp. moves Wells Fargo as the second largest bank, second only to Bank of America. The strategy has allowed them to acquire a larger share of the financial market.

The second company I will discuss is DuPont Nutrition & Health and Applied BioSciences acquisition of Danisco Corp. Once a long time partner of DuPont, is a very good and proven company, is a good fit because of their proven market science business and offers clear synergy for them. The acquisition will make them the clear leader in industrial biotechnology with innovations in global challenges in food production and fossil fuel. This effort will position the company ahead of all rivals addressing dramatic growth in human population in the years to come.

Danisco is well established company that has research and application capabilities. This will create a more cost efficient operation of the combined companies.

The applications do not need to be duplicated, meaning their buying power will increase, administrative functions do not need to be replicated, and will <https://assignbuster.com/acquisition-strategy-summary/>

further create more cost savings by downsizing. This acquisition will also allow them to enter new product categories, for example 65% of Danisco's revenue comes from specialty foods, product substitution items such as sweeteners and enablers.

This will allow them to enter renewable materials and addressing food needs. In conclusion, I have discussed Wells Fargo & Co. , and how their acquisition of Wachovia Corp has allowed the company to gain a larger geographic coverage has helped it create a more cost efficient operation by allowing to cut overhead costs by eliminating duplicate processes. Second, DuPont Nutrition & Health and Applied BioSciences acquisition of Danisco Corporation has allowed DuPont has made them the clear leader in industrial biotechnology with innovations in global challenges in food production and fossil fuel.

This gave them quick access to new technologies and other resources thus increasing their competitive capabilities. Reference 1. Essentials of Strategic Management, the Quest for Competitive Advantage 2nd Edition, John E. Gamble/ Arthur A. Thompson Jr.

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Anonymous, Journal of Technological Science. Atlanta: Jan 30, 2010. pg. 609. Periodical.

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