

How does the dixons group benefit from mergers

[Business](#)



My coursework will be based on the Dixons Group plc and how Dixons and the companies it has merged with have benefited from the mergers and how they have advantaged and disadvantaged the consumers. I will be analysing the change in profits and sales after mergers and also share prices and how they have increased or decreased.

Hypothesis

I am expecting to see an increase in sales and profits after the mergers and also an increase in the price of Dixons Shares.

Desk Research

The main ideas that relate to my project are:

Mergers- a merger is when two businesses join together through a voluntary agreement to create one large company, this allows the benefits to be spread over both companies and if one of the companies is doing poorly then the others should be doing well and so it should balance out.

Economies of Scale- larger companies (Dixons) benefit from this after a merger because the average cost of production will be spread out more and so will go down as more products are produced, this is an advantage as there will be more purchases by the consumer and more products available to them.

Market Share- is the quantity sold by the company as a percentage of total sales for the product during a given period. So when a company (Dixons) merges with another company its market share increases and so is able to

sell its products for a higher price, this is a disadvantage for the consumer as they will have to pay more for a product.

Field Research and Results

For my research I contacted Dixons through their web site and received a large pack containing large amount of information about the Dixons Group. However there was too much information and so I have narrowed it down and used a selection of articles and information. From the resource pack I received I have found out some of the benefits from Dixons to merging with other firms.

The firms that Dixons have merged with are listed on the next page, as are the benefits from the mergers.

UK

Company- Currys

Benefits of Merger-

Currys is the UK's largest electrical retailer and provides TVs, hi-fi's, fridges, washing machines, microwaves, vacuum cleaners, PCs and communication products as well as many of the stores featuring fitted kitchen departments.

Currys has about 280 superstores, 113 High Street stores and 3 stores in the republic of Ireland. This has benefited Dixons because of the wider range of consumers it can reach due to the extra stores and different products available to consumers.

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Company- PC World

Benefits of Merger-

PC World is Britains largest chain of computer superstores including PC World Business Direct, which specialises in supplying business customers. PC World stores offer 5, 000 product lines including PCs, Printers, Software, Books and computer accessories. They also offer repairs and PC advice.

PC World has 97 stores and 2 in the republic of Ireland. Dixons has once again benefited due to the expansion of consumers it can reach and is also able to supply companies with large quantities of Computers, hardware and software.

Company- The Link

Benefits of Merger-

The UK's best mobile phone and communications specialist. The Link offers customers advice on the different mobile phone networks and models as well as fixed line telephones, faxes, pagers, long range 2 way radios and personal organisers. The Link also ensures that their staff are up to date on all the products and know how to operate them.

The Link has 258 high street stores in the UK but currently has none in the republic of Ireland. The Link is a well known store and a great asset to Dixons due to the highly trained staff and invaluable customer service and product line that The Link offers.

Company- Mastercare

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Benefits of Merger-

Mastercare looks after the customers needs after they have purchased product and also repairs goods with mobile phone specialist engineers available. Mastercare also handles The Dixons Group's delivery to around 2million customers. Without Mastercare Dixons would not be as wide spread as it is or have the reputation it has.

Company- Ei System Computer Superstores

Benefits of Merger-

Ei System is the best PC specialist in Spain and has 11 stores in Spain and 1 in Portugal, the company, like PC World has a strong reputation for quality and value. Ei Systems are another step for Dixons into expanding into continental Europe.

Company- Kotsovolos

Benefits of Merger-

Kotsovolos sell brown and white goods and also own 87% of One Way Informatics S. A, a PC and Mobile telephony equipment retailer. Kotsovolos has 77 outlets in Greece and 9 stores in the Czech Republic. Kotsovolos benefits Dixons buy selling to the European business market in Greece and the Czech Republic.

Company- Freeserve

Benefits-

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Freeserve is the UK's leading internet portal and supplies the United Kingdom division of the Dixons Group with a network link throughout 1000 stores. This allows the Dixons Group to communicate between stores with ease.

The Consumer

Advantages

Disadvantages

More products are available from one company/ies.

Due to market share, prices may go up in some stores.

Reward points from one company/ies may be used at other stores in the merger group.

A shops layout may change to correspond with the other company/ies involved in the merger. E. g. Dixons and Currys now have similar layouts.

The staff may be trained more efficiently as there are more funds after the merger.

A shop may change the way it is run to conform with the other company/ies.

The companies involved in the merger are able to open stores in more towns and cities.

Conclusion

I have found from my research of the Dixons Group plc that Companies benefit greatly from mergers as they have more room for expansion so they can reach more consumers and their market share increases allowing them to increase the price of products and increase the variety of products. E. g. Dixons now sell fitted kitchens through Currys and have stores in Europe due to mergers with European companies.

The consumer is able to buy more products from one store but may also have to pay more due to the increase in market share.

Evaluation

My research was very helpful when completing this work however the information I obtained was vast and had to be scaled down so that I did not use irrelevant information in my coursework. I would have also liked a personal report from an employee who was working for one of the companies who merged with Dixons during the merger, this would give me an inside account of experiences within the company during a merger and what exact changes were happening in the stores. Unfortunately I was unable to get this information because the most recent Dixons mergers have been with companies in Europe. From the information I had I found that there are more advantages than disadvantages for the consumer and so both the consumer and the companies benefit from mergers.