

A Comparative Study on the Set-backs & Benefits of Acquisition and Merger

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Abstract:

Mergers and acquisitions have long been the most preferred method of inorganic company growth. It is frequently used to restructure corporate structures. Companies engage in mergers and acquisitions for strategic business reasons that are, in theory, purely financial. This study offers an effort to assess the impact of the acquiring firms' previous and subsequent financial performance.

The use of mergers and acquisitions (M&As) to expand a company's size and/or market share, diversify its product and service offerings, lower business and financial risk, enter new markets and geographies, achieve economies of scale, and other objectives has increased throughout the world. While there has been much speculation and optimism surrounding mergers, as well as research on how the stock market responds to such announcements, it is crucial to consider whether or not joining forces with businesses in the same or different industries will actually improve financial operating performance. Only then can such merger activities be justified.

The effects of mergers and acquisitions may be both beneficial and bad, thus it is important to thoroughly research the subject and examine the results.

Keyword: Merger and acquisition, Social Networking site, and Positive Impact of Merger and Acquisition

INTRODUCTION

Merger and acquisition (M&A) is a corporate strategy that involves combining two or more companies to achieve strategic objectives. M&A may occur through a variety of methods, including mergers, acquisitions, joint ventures, and consolidations. The primary objective of M&A is for companies to create synergies, which can help them to improve their overall performance and competitiveness in the marketplace. M&A can also provide a number of benefits, such as increased market share, enhanced product offerings, reduced costs, and expanded distribution channels. However, there are several challenges that companies may face during the M&A process, including legal and regulatory issues, cultural differences, and integration challenges. Ultimately, the success of M&A depends on various factors, including the strategic fit between the companies, the negotiation process, leadership and management capabilities, and the ability to effectively integrate the two entities.

Here are some examples of merger and acquisition (M&A) deals from various industries:

- Disney's acquisition of 21st Century Fox: In 2019, The Walt Disney Company acquired 21st Century Fox for \$71 billion, which included assets such as 20th Century Fox film and television studios, FX Networks, and National Geographic. This deal allowed Disney to expand its content library and strengthen its position in the media and entertainment industry.

- Microsoft's acquisition of LinkedIn: In 2016, Microsoft acquired LinkedIn, the professional networking platform, for \$26.2 billion. This deal enabled Microsoft to integrate LinkedIn's extensive user base and professional networking capabilities into its suite of products, enhancing its presence in the business and technology sectors.
- AT&T's merger with Time Warner: In 2018, AT&T completed its acquisition of Time Warner, a media and entertainment conglomerate, for \$85 billion. This merger brought together AT&T's distribution capabilities with Time Warner's content assets, including Warner Bros., HBO, and CNN, creating a vertically integrated media company.
- Amazon's acquisition of Whole Foods: In 2017, Amazon acquired Whole Foods Market, a grocery store chain, for \$13.7 billion. This acquisition allowed Amazon to enter the brick-and-mortar grocery industry and expand its reach in the retail sector.
- Facebook's acquisition of WhatsApp: In 2014, Facebook acquired WhatsApp, a messaging app, for \$19 billion. This acquisition helped Facebook expand its messaging capabilities and reach a wider audience in the mobile messaging market.
- Verizon's acquisition of AOL: In 2015, Verizon acquired AOL, a digital media company, for \$4.4 billion. This acquisition provided Verizon with access to AOL's digital advertising technology and content platforms, enhancing its digital media capabilities.

DATA AND METHODOLOGY

This study is done with the example taken of merger and acquisition through which the data should be collected by questionnaire and then analysed from the findings and interpret the results of the study.

The example taken to do the research for the study is “**FACEBOOK ACQUIRE WHATSAPP & INSTAGRAM**”.

I think this example gives good information about benefits and set-backs of acquisition and merger because nowadays every person is using social networking sites.

What was Facebook's Strategy regarding Instagram & WhatsApp?



How much has Facebook spent on acquisitions?

Facebook paid over \$19 billion to acquire WhatsApp. Since 2012, Facebook has spent over \$22.4 billion to acquire its competition. Instagram is worth roughly \$100 billion. Facebook purchased Instagram for \$1 billion.

REVIEW OF LITERATURE

Facebook, one of the world's leading social media platforms, has made several high-profile acquisitions over the years. These acquisitions have had significant implications for Facebook's business strategy, market dominance, and user experience. Here is a review of the literature on Facebook's acquisition history:

- **Instagram Acquisition:** Facebook acquired Instagram, a popular photo-sharing app, in 2012 for \$1 billion. This acquisition has been widely studied in the literature. Researchers have highlighted how this acquisition has helped Facebook expand its user base, particularly among younger demographics, and strengthen its dominance in the social media market. Studies have also examined the impact of the Instagram acquisition on Facebook's advertising revenue and user engagement metrics. Some researchers have raised concerns about the potential negative effects of this consolidation of power on competition and user privacy.
- **WhatsApp Acquisition:** In 2014, Facebook acquired WhatsApp, a messaging app, for \$19 billion. This acquisition has also been extensively examined in the literature. Studies have explored the strategic rationale behind the acquisition, including Facebook's desire to tap into the global messaging market and expand its international user base. Researchers have also examined the impact of the WhatsApp acquisition on Facebook's financial performance, user engagement, and competition in the messaging app market. Some studies have raised concerns about data privacy and security issues associated with the integration of WhatsApp with Facebook's ecosystem.
- **Other Acquisitions:** Facebook has made several other acquisitions, including those of companies like Live Rail (an online video advertising platform), Parse (a mobile app development platform), and CTRL-labs (a brain-computer interface technology company). While these acquisitions have received relatively less attention in the literature compared to Instagram, WhatsApp, and Oculus VR, they have been analysed in terms of their strategic fit with Facebook's business model, their potential impact on Facebook's revenue streams, and their implications for user experience and privacy.

Overall, the literature on Facebook's acquisition history suggests that these acquisitions have played a significant role in shaping Facebook's growth, market dominance, and strategic direction. However, they have also raised concerns about issues such as competition, data privacy, and user experience. Further research will likely continue to explore the long-term implications of these acquisitions for Facebook, its users, and the broader social media landscape.

ANALYSIS AND FINDINGS

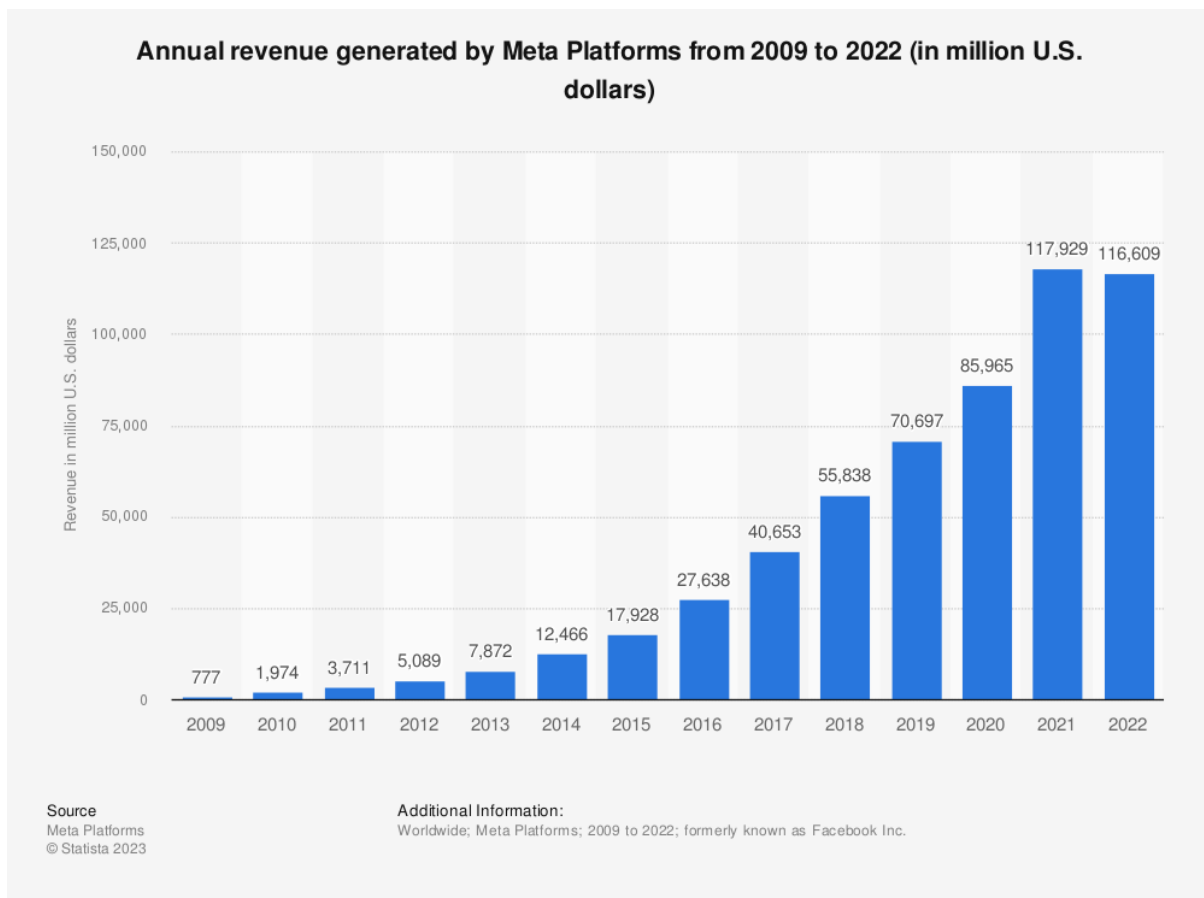
The data is gathered in the form of questionnaire and on that basis interpretation is done and draw conclusions accordingly.

https://docs.google.com/forms/d/e/1FAIpQLSd46r12BPqyty1OJ1eqzgQrVrc9bD9ISxTdII_wVxMf6mdheQ/viewform?usp=sf_link

According to above data which is collected through questionnaire represents the good feedback of acquisition which is done by Facebook.

It shows the positive impact from both the sides before and after the merger & acquisition, it is clearly visible with people's feedback that they are fully satisfied with this strategy of this social networking site.

Facebook is earning huge amount of profit after acquisition which shows in the given figure:



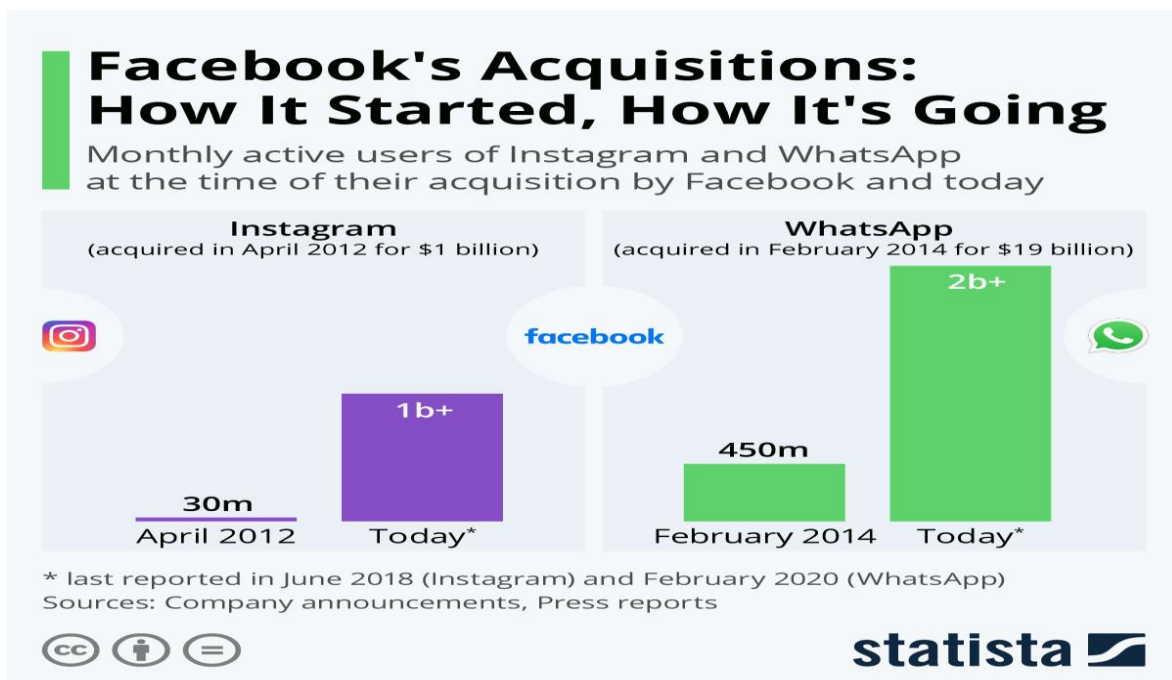
With all the information that is been gathered through the questionnaire, there are many responses which shows different people have different way of thinking, so from their responses it is clearly shown the positive impact of Facebook for taking right decisions in acquisition for their companies for fastest growth and development.

Facebook acquire Instagram in \$1 billion only but now it is worth roughly around \$100 billion same as with WhatsApp also acquired in \$19 billion but now it's worth is greater than \$98.56 billion in 2023 till now.

So, according to above research it shows acquisition is a good strategy for companies to use for their betterment and continuous growth in the market. But it is not successful for everyone like Facebook but

they can make successful by taking all the points in consideration before acquiring about any other company. Many companies try to use the strategy which Mark Zuckerberg has used, they can use but with full information and at the right time because when Meta acquire Instagram it was not popular that much but in after few years it was become very popular and giving huge amount of profit to Meta, in about every family there is an Instagram user nowadays. In covid time also people said that they are spending time because of Instagram, at that time also Instagram has earned huge profit.

Above all the factors taken and seeing the results of last few years it analyses the right and profitable decision taken by Meta for acquiring WhatsApp and Instagram.



LIMITATIONS AND CHALLENGES

The acquisition of WhatsApp and Instagram by Facebook has brought about numerous benefits and opportunities for the company. However, there are also several limitations and challenges associated with this acquisition. Some of these limitations and challenges include:

- **Increased Consolidation of Power:** The acquisition of WhatsApp and Instagram has resulted in Facebook consolidating more power in the social media industry. This has raised concerns about monopolistic behaviour and lack of competition, which could stifle innovation and limit consumer choice.
- **Data Privacy Concerns:** Facebook has faced significant scrutiny over its handling of user data, and the acquisition of WhatsApp and Instagram has intensified these concerns. The integration of data from all three platforms has raised privacy concerns, as users' personal information may be shared across platforms without their explicit consent.
- **Regulatory and Legal Challenges:** The acquisition of WhatsApp and Instagram has raised regulatory and legal challenges for Facebook. Antitrust regulators in various countries have expressed concerns about the company's dominant position in the social media market, leading to investigations and potential legal actions.

- **Platform Integration Challenges:** Integrating the functionalities and infrastructures of three large platforms like Facebook, WhatsApp, and Instagram can be complex and challenging. Technical difficulties, interoperability issues, and differences in user experience can arise, which may impact the overall user satisfaction and experience.
- **Brand and Reputation Management:** Facebook's reputation has been tarnished due to various controversies related to data privacy, misinformation, and other ethical concerns. The acquisition of WhatsApp and Instagram has brought these concerns to these platforms as well, and managing their brand image and reputation in the face of such challenges can be a significant limitation for Facebook.
- **User Base and Demographic Differences:** WhatsApp and Instagram have different user bases and demographics compared to Facebook. Integrating these platforms while maintaining their unique identities and catering to their diverse user bases can be challenging, as user behaviours, preferences, and expectations may differ across platforms.
- **Cultural Integration Challenges:** WhatsApp and Instagram have their own distinct cultures, values, and ways of operating, which may differ from Facebook's culture. Integrating these diverse cultures and aligning them with Facebook's organizational culture can pose challenges in terms of leadership, decision-making, and employee engagement.
- **Changing Competitive Landscape:** The social media landscape is constantly evolving, and new competitors can emerge at any time. The acquisition of WhatsApp and Instagram may not guarantee long-term dominance for Facebook, as disruptive technologies or new platforms can disrupt the industry dynamics, posing challenges to Facebook's market position.

In conclusion, while the acquisition of WhatsApp and Instagram has provided numerous benefits to Facebook, it also comes with several limitations and challenges that the company needs to navigate carefully to maintain its success in the ever-changing social media landscape. Addressing these challenges effectively will be crucial for Facebook's long-term sustainability and growth.

CONCLUSION

In conclusion, the merger and acquisition (M&A) process can be complex and multifaceted, involving various legal, financial, and operational considerations. When executed successfully, M&A can result in numerous benefits, including increased market share, expanded customer base, enhanced capabilities, and improved financial performance. However, M&A also carries risks and challenges, such as cultural differences, integration issues, regulatory hurdles, and financial uncertainties.

These may include signing a definitive agreement, obtaining necessary regulatory approvals, conducting due diligence, securing financing, and obtaining approval from shareholders or other stakeholders. Once all necessary approvals and requirements have been met, the deal is finalized, and the merger or acquisition is completed.

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