

# Mergers and Acquisition: An Analytical Study of the Benefits and Set-backs

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**Abstract:** Mergers and acquisitions have long been the favoured approach for companies seeking inorganic growth. They are commonly used to restructure corporate setups and pursued for strategic business reasons that are primarily financial in nature. This study aims to evaluate the impact of acquiring firms' past and subsequent financial performance. The employment of mergers and acquisitions (M&As) has witnessed a global increase, allowing companies to expand their size and/or market share, diversify product offerings, mitigate business and financial risks, enter new markets, achieve economies of scale, and pursue various other objectives. While speculation and optimism surround mergers, and research has been conducted on how the stock market responds to such announcements, it is essential to assess whether joining forces with businesses in the same or different industries will genuinely enhance financial operating performance. Only then can such merger activities be justified. The effects of mergers and acquisitions can be both advantageous and detrimental, making it imperative to conduct comprehensive research on the subject and thoroughly examine the outcomes.

**Keywords:** mergers and acquisitions, social networking sites, positive effects of mergers and acquisitions.

## 1. Introduction

M&A is the process of bringing two or more businesses together to help them reach their goals. It can be done in a variety of ways, from mergers and acquisitions to joint ventures and consolidation. The main goal is to create new opportunities that can help companies grow their business and be more competitive in the market. There are lots of benefits to M&A, like increasing market share, offering better products, cutting costs, and expanding your reach. But there are also some challenges that can come up during the process, like legal and regulatory hurdles, cultural clashes, and integration issues. Ultimately, it all comes down to how well the two companies fit together, how well the negotiation process goes, who has the leadership and management skills, and how well the two entities can integrate.

Here are some examples from Mergers & Acquisition (M&A) from Various Industries:

- In 2019, The Walt Disney Company purchased 21st Century Fox for a sum of \$71 billion. This acquisition encompassed assets such as 20th Century Fox film and television studios, FX Networks, and National Geographic. The deal

allowed Disney to expand its collection of content and reinforce its position in the media and entertainment industry.

- Microsoft's acquisition of LinkedIn took place in 2016 at a cost of \$26.2 billion. This agreement enabled Microsoft to incorporate LinkedIn's extensive user base and professional networking capabilities into its range of products, enhancing its presence in the business and technology sectors.
- AT&T finalized its acquisition of Time Warner in 2018, valuing it at \$85 billion. This merger brought together AT&T's distribution capabilities with Time Warner's content assets, which included Warner Bros., HBO, and CNN, resulting in the establishment of a vertically integrated media company.
- Amazon's acquisition of Whole Foods occurred in 2017 with a price tag of \$13.7 billion. Through this purchase, Amazon entered the realm of physical grocery stores, expanding its influence in the retail sector.
- Facebook acquired WhatsApp, a messaging app, in 2014 for a whopping \$19 billion. This acquisition facilitated Facebook's expansion of its messaging capabilities and enabled it to reach a broader audience in the mobile messaging market.
- Verizon acquired AOL, a digital media company, in 2015 for \$4.4 billion. This transaction provided Verizon with access to AOL's digital advertising technology and content platforms, augmenting its digital media capabilities.

## 2. Data and Methodology

This study utilizes the example of the merger and acquisition involving Facebook's acquisition of WhatsApp and Instagram. The data for the study will be gathered through the use of questionnaires, and the subsequent findings will be analysed and interpreted.

This example is particularly informative in assessing the advantages and disadvantages of mergers and acquisitions, given the widespread usage of social networking sites by individuals nowadays.

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Regarding the expenditure on acquisitions, Facebook invested more than \$19 billion in the acquisition of WhatsApp. Since 2012, Facebook has spent a total of over \$22.4 billion on acquiring various competitors. Instagram holds an estimated value of approximately \$100 billion, and Facebook acquired it for \$1 billion.



Fig. 1.

### 3. Review of Literature

Facebook, a prominent social media platform globally, has engaged in several noteworthy acquisitions throughout its history. These acquisitions have had substantial implications for Facebook's business strategy, market leadership, and user experience. Here is a literature review discussing Facebook's acquisition activities:

**Instagram Acquisition:** In 2012, Facebook acquired Instagram, a popular photo-sharing app, for a sum of \$1 billion. This acquisition has been extensively examined in scholarly research. Scholars have highlighted how this acquisition allowed Facebook to expand its user base, particularly among younger demographics, and strengthen its dominance in the social media market. Studies have also investigated the impact of the Instagram acquisition on Facebook's advertising revenue and user engagement metrics. Some researchers have expressed concerns regarding 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 a staggering \$19 billion. This acquisition has also garnered significant attention in the literature. Studies have explored the strategic rationale behind the acquisition, including Facebook's aspiration to tap into the global messaging market and broaden its international user base. Researchers have also examined the impact of the WhatsApp acquisition on Facebook's financial performance, user engagement, and competition within the messaging app market. Certain studies have raised concerns about data privacy and security issues associated with the integration of WhatsApp into Facebook's ecosystem.

**Other Acquisitions:** Facebook has made several additional acquisitions, such as Live Rail (an online video advertising platform), Parse (a mobile app development platform), and CTRL-labs (a brain-computer interface technology company). Although these acquisitions have received relatively less scholarly attention compared to Instagram, WhatsApp, and Oculus VR, they have been analysed in terms of their strategic alignment with Facebook's business model, potential impact on revenue streams, and implications for user experience and privacy.

In summary, the literature examining Facebook's acquisition history suggests that these acquisitions have played a crucial role in shaping Facebook's growth, market dominance, and strategic trajectory. However, they have also raised concerns regarding competition, data privacy, and user experience. Ongoing research is expected to further explore the long-term consequences of these acquisitions for Facebook, its user base, and the broader landscape of social media.

### 4. 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/1FAIpQLScPjDF-F5Mvj0ApYtqSSoeOPz1pvcHT8ciMFWcZtvX6uHBI7Q/vicwform?usp=sf\\_link](https://docs.google.com/forms/d/e/1FAIpQLScPjDF-F5Mvj0ApYtqSSoeOPz1pvcHT8ciMFWcZtvX6uHBI7Q/vicwform?usp=sf_link)

Based on the data collected through the questionnaire, the feedback regarding Facebook's acquisitions has been positive. The feedback indicates that both before and after the mergers and acquisitions, people are highly satisfied with Facebook's strategy as a social networking site. The figures provided demonstrate that Facebook has been able to generate substantial profits following the acquisitions.

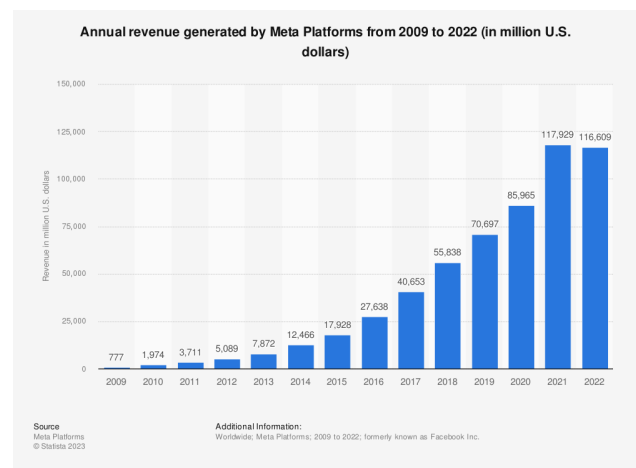


Fig. 2.

The questionnaire responses reflect diverse opinions and indicate that people have varying perspectives. However, the overall sentiment is that Facebook has made sound decisions in its acquisition strategies, leading to rapid growth and development. For instance, Instagram was acquired for \$1 billion, but its current valuation is estimated to be around \$100 billion. Similarly, WhatsApp, acquired for \$19 billion, has seen its value surpass \$98.56 billion in 2023.

The research suggests that acquisitions are a beneficial strategy for companies aiming for continuous growth and improvement in the market. However, it is crucial for companies to consider all relevant factors and make informed decisions before acquiring another company. While many companies attempt to emulate the successful strategy employed by Mark Zuckerberg, it is essential to gather comprehensive information and execute acquisitions at the right time. For example, when Meta acquired Instagram, it was not as popular,

but over the years, it gained immense popularity and brought significant profits to Meta. Instagram has become ubiquitous, with users in nearly every family. Even during the COVID-19 pandemic, people spent considerable time on Instagram, contributing to its substantial profitability.

Considering all the factors and analyzing the results from the past years, it can be concluded that Meta made the right and profitable decisions in acquiring WhatsApp and Instagram.

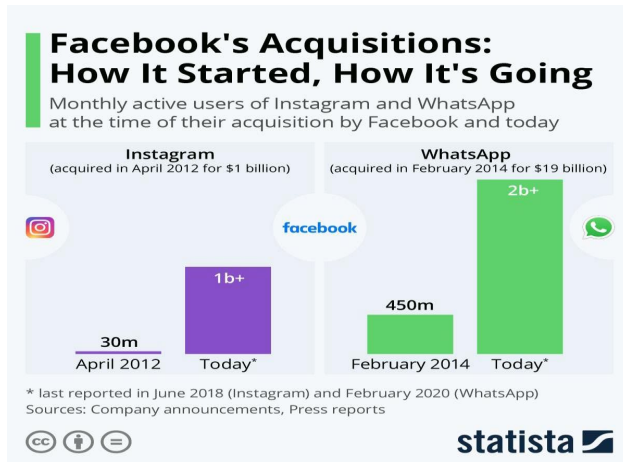


Fig. 3.

## 5. Limitation and Challenges

The acquisition of WhatsApp and Instagram by Facebook has brought various advantages 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 Concentration of Power:** Facebook's acquisition of WhatsApp and Instagram has led to a consolidation of power in the social media industry. This has raised concerns about monopolistic behavior, reduced competition, and potential limitations on innovation and consumer choice.

**Concerns Regarding Data Privacy:** Facebook has faced significant scrutiny regarding its handling of user data, and the acquisition of WhatsApp and Instagram has intensified these concerns. The integration of data across the three platforms has raised privacy concerns, as users' personal information may be shared without their explicit consent.

**Regulatory and Legal Challenges:** Facebook's acquisition of WhatsApp and Instagram has attracted regulatory attention and legal challenges. Antitrust regulators in various countries have expressed concerns about Facebook's dominant position in the social media market, leading to investigations and potential legal actions.

**Challenges in Platform Integration:** Integrating the functionalities and infrastructures of three large platforms like Facebook, WhatsApp, and Instagram can be complex. Technical difficulties, interoperability issues, and disparities in user experience may arise, potentially impacting user

satisfaction and overall experience.

**Brand and Reputation Management:** Facebook's reputation has been affected by controversies surrounding data privacy, misinformation, and ethical concerns. The acquisition of WhatsApp and Instagram has extended these concerns to the acquired platforms, necessitating effective brand and reputation management for Facebook.

**User Base and Demographic Differences:** WhatsApp and Instagram have distinct user bases and demographics compared to Facebook. Successfully integrating these platforms while maintaining their unique identities and catering to diverse user bases can be challenging due to differing user behaviours, preferences, and expectations.

**Cultural Integration Challenges:** WhatsApp and Instagram have their own distinct cultures, values, and operational methods, 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.

**Evolving Competitive Landscape:** The social media landscape is dynamic, and new competitors can emerge at any time. The acquisition of WhatsApp and Instagram does not guarantee long-term dominance for Facebook, as disruptive technologies or new platforms can alter industry dynamics and present challenges to Facebook's market position.

In summary, while the acquisition of WhatsApp and Instagram has provided numerous benefits to Facebook, it also brings several limitations and challenges that require careful navigation. Addressing these challenges effectively is crucial for Facebook's sustainability and growth in the ever-evolving social media landscape.

## 6. Conclusion

In summary, the process of mergers and acquisitions (M&A) is intricate and diverse, encompassing legal, financial, and operational aspects. When executed successfully, M&A can yield numerous advantages, such as increased market presence, expanded customer base, improved capabilities, and enhanced financial performance. Nonetheless, M&A also entails risks and challenges, including cultural disparities, integration difficulties, regulatory obstacles, and financial uncertainties.

These processes may entail executing a definitive agreement, obtaining requisite regulatory clearances, conducting thorough due diligence, securing financing, and garnering approval from shareholders or other stakeholders. Once all necessary approvals and conditions have been met, the transaction is finalized, and the merger or acquisition is consummated.

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