

## Mergers and Acquisitions

### **McDonald's Acquisition of Boston Market**

According to Bruner (2016), it is not atypical for an organization pursuing an acquisition or merger to convey elevated hopes that such transactions will ensure its growth in the market. The objective, quite logically, is that the resultant mixture of people, products, as well as pipelines will ensure that the business reaches a newer height. This was the objective of McDonald's when it acquired Boston Market in 2000. Thus, McDonald's utilized the growth-by-acquisition strategy to acquire Boston Market. This was also a downstream acquisition process given that McDonald's acquired the firm with the objective of expanding its business.

As a strategy, growth-by-acquisition offers some advantages to the acquirer. Firstly, according to DePamphilis (2013), growth-by-acquisition as a strategy offers the acquiring organization the aptitude to reach a broader geographical target. Given that the main objective of growth through acquisition as a strategy is to increase the market share in addition to acquiring greater resources and ensuring business expansion, the acquisition of Boston Market enabled McDonald's to increase its overall market share and to compete favorably with its competitors in markets that it had not entered before. Moreover, the acquisition enabled the company to reach out to its extant and prospective clients in geographical areas that it did not serve before, and this enabled it to increase its market share.

Secondly, as a strategy, growth by acquisition enables organizations to enter a market quite faster and in time to ensure that it competes favorably and gains a competitive edge over its rivals in the market. Thus, the use of growth through acquisition by McDonald's enabled it to enter the markets served by Boston Market much faster compared to if the company had resorted internal development as a market entry strategy. The strategy is not only rapid but additionally

enables the organization to ensure its presence within the target market in a short duration of time.

Thirdly, Bruner (2016) notes that growth through acquisition enables the acquiring firms to make the most of the existing synergies. Thus, growth through acquisition is much faster, far less risky and inexpensive proposition compared to the true and tried strategies of expanded sales and marketing efforts. Additionally, the strategy provides an array of other notable advantages that include immediate economies of scale and easier financing to the acquiring firm. According to DePamphilis (2013), the use of acquisition as a growth strategy also ensure that McDonald's attain formidable competitive advantages that range from catching the firm's competitors off guard to instantaneous market penetration in geographical regions in which McDonald's might have been performing poorly to an elimination of rivals through acquisition.

Based on the above-noted reasons, it can be observed that the acquisition was a wise choice for McDonald's. The strategy enabled it to attain its key objective of growth and expansion, which in turn ensures increased profitability.

### **Culver's**

One of the notable companies that Culver's may acquire or merge with to attain growth and increased profitability is Ruby's Diner. This is mainly as a consequence of the observation that the two companies serve different geographic locations hence a merger or acquisition will ensure attainment of the various aspects of the desired growth.

Firstly, by acquiring or merging with Ruby's Diner, Culver's will attain growth by increasing its market presence in areas where it initially did not have a presence. This will increase its market share over and above increasing its profitability as a consequence of the increase in its client base. Acquiring or merging with Ruby's Diner ascertains increased profits

and presence in various locations and this offers the company a competitive edge over its rivals (Hill & Jones, 2012). Culver's is known to operate mainly in the Midwest region of the United States while Ruby's Diner has shops in various parts of the United States including the East Coast and parts of California.

Secondly, Culver's acquisition of Ruby's diner is bound to offer it increased competitive edge over its rivals. For instance, the acquisition is bound to offer Culver's a faster access to the market for its products in the regions that it did not serve before. This will not only increase the firm's profitability but will also ensure that it gains access to properly established distribution channels in the areas that were served by Ruby's Diner (Daum, 2013).

Thirdly, by either merging with or acquiring Ruby's Diner, Culver's is bound to experience tax gains and this will, in turn, result in revenue enhancement as a result of the market share gain. According to Furrer (2016), firms always merger and acquire other entities based on the notion that a joint firm will enable the generation of more value compared to single firms. Thus, by acquiring or merging with Ruby's Diner, it is anticipated that the newly acquired shareholder value will be greater compared to the total value of the two separate entities.

### **McDonald's International Business-level Strategy and Corporate-level Strategy**

McDonald's upholds an international business level strategy of cost leadership in the delivery of consistent food and quality services. To keep its international business level strategy fresh, McDonald's innovates both its markets and products. The firm's business level strategy is held up by its functional strategies including its aptitude to realize and sustain advanced quality, efficiency, customer service and innovation (Daum, 2013). McDonald's efficiency is portrayed in its food production process as well as additional processes requiring minimal human knowledge and input.

McDonald's international business level strategy within the primary markets includes cost leadership and product differentiation. As from its inception in 1954, McDonald's has served over 47 million individuals daily through its more than 30,000 franchise stores. Moreover, by partaking in the sponsorship and marketing of events including the world cup, football, and the Olympics, McDonald's has added value to its brand name and image. Also, the differentiation model and low-cost pricing have enabled the classification of McDonald's as an analyzer owing to the observation that the company maintains a stable business model even as it innovates on the side. Being an analyzer enables the company to maintain its extant steady state with an effective strategy in addition to enabling it to target novel markets offering room for expansion (Hill & Jones, 2012).

Regarding the corporate-level strategies, McDonald's' built environment is a vital strategic tool that enables it to increase the quality of its store's furnishing, layout, design, lighting, and furniture. Such aspects are used in the reinforcement of fine products' quality, which are its basic specialization tools.

Thus, McDonald's corporate strategy is to sustain the consumer experience, which represents the services received by the clients. The services include the coffee aromas; the apt relations displayed among the workers, cool background music, and the overall atmosphere of its stores. McDonald's is well linked with the professional, upwardly mobile and youthful markets throughout the world (Bruner, 2016). Consumption is a subjective feeling that is experienced by the people who are in then setting. According to Furrer (2016), in a study on the effects of the built environment on consumer spending, it was determined that the validity of marketing was formed by the environmental psychology, cognitive and ergonomics of the store layout. As a result, it can be observed that McDonalds displays a unique service-scape, which has an elevated

influence on local practices, consumption, tastes, and lifestyles. As a result, McDonald's constantly contemplates whether it should be an agent of enforcement of uniform codes or not.

Uniform/standardized codes refer to behavioral codes criticizing practices, voices, lifestyles and the experience of consumption (Bruner, 2016). Extant studies have disclosed that individuals' beliefs and thoughts are way below the degree of awareness (DePamphilis, 2013). Nonetheless, individuals found within the capacity of attaining the degree of awareness represent a smaller number of individuals.

### **Business-level Strategy and Corporate Level Strategy that Culver's may utilize**

One of the notable strategies that Culver's should employ as its international business level strategy is differentiation, which refers to the integrated set of deed employed in the production of services and products, that clients view as being divergent in ways that are vital to them. Thus, Culver's should employ a differentiation strategy, which emphasizes the uniqueness of its products as well as customer experience, with a corresponding price (Daum, 2013). The organization should aim at selling more than just burgers by selling a 'Culver's experience', that entails enabling its clientele to be able to chat with friends, relax, hold meetings as opposed to offering just a place for eating burgers. Additionally, Culver's should position itself as a premium brand to make it difficult for its competitors to imitate as opposed to making attempts at being a low price leader (Hill & Jones, 2012). In case the clients value Culver's unique experience, they will be ready to pay more for the services.

With regards to the corporate level strategies, Culver's should employ a strategy that fully establishes it as a leading source of the best foods in the United States of America, while at the same time maintaining its principles in the course of its growth. Culver's should ensure the supply of the highest quality for its food product even as makes attempts at maintaining diversity,

enhanced work milieu, and client contentment. All workers in its retail outlets should be provided with a great work milieu and should additionally be offered several benefits. Lastly, Culver's should acquire the best source along with incessantly adding and changing its product offers, in addition to upholding its diversity as well as the guarantee of the finest product quality. Thus, Culver's should make attempts at satisfying its clients and providing unparalleled services even as it gives back to the society. Although it might be initially hard and expensive, the strategy will give Culver's an advantage of being amongst the fastest growing firm in the country (Furrer, 2016).