ONE PAGE SUMMARY

Entrepreneurship & Startup › Business Models & Strategy › Growth Strategy

Acquisition

Acquisition: A Strategic Path to Rapid Growth

DEFINITION

> Acquisition is a growth strategy where a company purchases another company to expand its market reach or capabilities. This approach can quickly enhance resources, customer base, and competitive advantage.

KEY CONCEPTS

Types of Acquisition

Acquisitions can be friendly or hostile, depending on the target company's response to the offer.

Due Diligence

This is the process of thoroughly evaluating a target company's financials, operations, and potential risks before acquisition.

Integration Challenges

Post-acquisition, companies often face difficulties in merging cultures, systems, and processes effectively.

Synergy

Synergy refers to the expected additional value created when two companies combine, often leading to cost savings or increased revenues.

Valuation Methods

Common methods to determine a target's value include discounted cash flow analysis and comparable company analysis.

EXAMPLES

→ Facebook's acquisition of Instagram to enhance its social media portfolio.

→ Amazon's purchase of Whole Foods to enter the grocery market.

→ Google's acquisition of YouTube to dominate online video.

MEMORY TIPS

★ Remember 'A' for 'Acquisition' and 'Advancement' in growth.

★ Think of 'D' for 'Due Diligence' as 'Deep Dive' into company details.

★ Use 'S' for 'Synergy' to recall the combined strength of two companies.

COMMON MISTAKES

✗ Underestimating integration challenges post-acquisition.

✗ Neglecting thorough due diligence before finalizing the deal.

✗ Overpaying for a target company without proper valuation.

QUICK RECAP

Acquisition is a strategic growth method involving the purchase of another company. It aims to quickly enhance market presence and resources, but requires careful planning and integration to succeed.