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Mergers and Acquisition

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Will Prologi's merger with Duke Realty lead to increased profitability for the merger?

Introduction

Mergers and acquisitions are popular and regularly used methods of expansion and promoting growth. Companies focus on strategies that win them a competitive advantage in today's competitive business environment. Competitive advantage plays a significant role in boosting sales and promoting growth. Companies today expand their operations through mergers and acquisitions. Mergers and acquisition are regularly used interchangeably, but they have different meanings in context. In acquisition, one company buys the other entirely and acquires all stocks and assets. In Mergers, two companies join forces and become one entity. Mergers are formed when companies want to join their resources to influence growth instead of operating as two entities. In many instances, firms that form mergers are of the same size or are closely of the same size. The main aim of merger and acquisition is to improve a company's performance and grow the firm profitability. In this case, Prologis has Duke reality, and there are questions of whether the acquisition will lead to growth in profitability for Prologis.

Prologis is considered the largest international real estate company specializing in leasing modern logistics facilities to a wide range of customers amounting to 5,800 customers across the globe. Prologis offers its services to many customers, including online/retail and business-to-business fulfilments. A report from Prologi's acquisition of Duke Realty indicates that Prologis decided to acquire Duke Realty to increase its presence in the US market and profitability. The decision was also fueled by the consideration that the deal was valued at \$23 billion, and all

shareholders approved that the acquisition was worth it. Various benefits accrue from the acquisition, and the main one is finding a better way to serve customers, which leads to increased profitability. Therefore, this study aims to determine whether the acquisition will lead to increased profitability for Prologis by answering the research question: Will Prologis's merger with Duke Realty leads **to increased profitability for the merger?**

Methodology

The study utilized a mixed methodology where there was the use of quantitative and qualitative methods. The study focused on using secondary data on available Prologis' website, and it was useful in making conclusions about whether the acquisition was a success and whether it will lead to increased profitability in the long term. Secondary data was collected from the company website and other journals that have documented information about the acquisition providing details of the acquisition. The study also utilized various business management theories to discuss the likelihood of the acquisition boosting sales and increasing profitability. Importantly, the study utilized various analysis tools, including SWOT analysis, Force Field Analysis, and Marketing Mix, to determine whether the acquisition could lead to increased profitability. These tools effectively defined the strengths and weaknesses of the acquisition and found factors for and against the acquisition. The study had limitations, and it was challenging to access Prologis financial data to determine whether the acquisition would be profitable in the future.

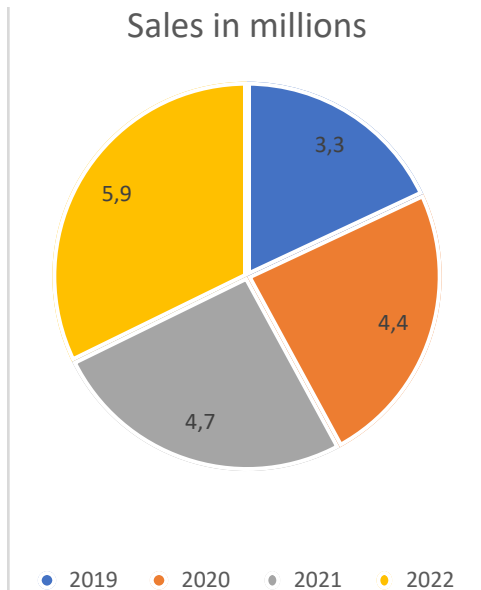
Results and Findings

The study found that the acquisition was a bold decision toward increased profitability and improved company performance. The acquisition was worth \$26 billion, and Prologis acquired all stocks and assets from Duke Realty (Prologis, 2023a). According to the information relayed on the Prologis website, it is evident that the acquisition was considered because it made sense and was suitable for the company's long-term growth. The combination created an opportunity where assets could perform better, making it easier to integrate people and assets into the business and unlock additional value for Prologis.

The study found that Prologis has been performing well in the logistics market. Therefore the action to acquire Duke Realty is to increase profitability and grow its presence in the US market. Below is a table showing the revenues that Prologis has been collecting since 2019.

Year	Total Revenues
2019	3.3
2020	4.4
2021	4.7
2022	5.9

(Berman, 2022)

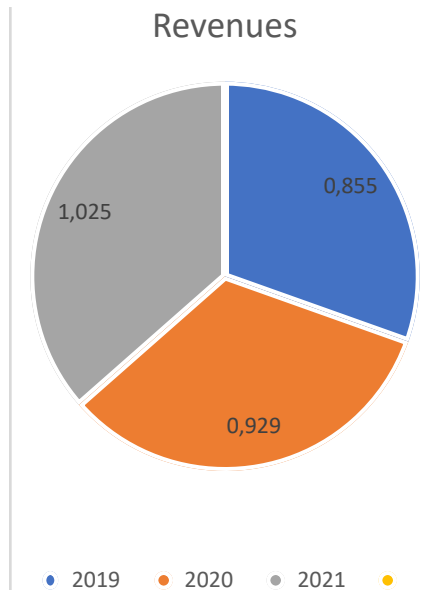


The data provided indicates that Prologis has been performing well financially and has a reputation to maintain.

Duke Realty is a US-based company that deals with ownership development and management of industrial real estate (Berman, 2022). Hence, it operates within the same industry as Prologis, so the acquisition was accurate. Annual financial data also show what Duke Realty brings to the table.

Duke Realty revenues from 2019

Year	Revenues (in millions)
2019	0.855
2020	0.929
2021	1.025



The revenue data indicates that Duke Realty has been performing well financially, although the returns are not as high as those of Prologis.

Analysis and discussion

The study shows that the decision for Prologis to acquire Duke Realty was right as the two companies match in terms of operations, resources, and areas of expertise. In analysis, various tools will be used to assess the potential for the acquisition to succeed.

SWOT analysis

The SWOT analysis tool is used to identify Prologis' strengths and weaknesses that need to be addressed. The tool also aids in identifying opportunities that can be utilized through the acquisition. The tool also helps identify threats the acquisition poses to Prologis' future profitability.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong financial capabilities • High global presence • Consistent in growing sales • Good brand image 	<ul style="list-style-type: none"> • Commands a small market share in the US market. • Shortage of logistics buildings • High operating costs in the US
Opportunities	Threats
<ul style="list-style-type: none"> • Venturing into the US market through acquisitions and mergers. • Increasing its global presence. 	<ul style="list-style-type: none"> • Growing competition in the global real estate and logistics industry • Increasing effects of inflation and worsening economic conditions

The SWOT analysis table above indicates that Prologues has various strengths that have kept it in the market as a market leader. Its financial strength enables it to possess the capability to acquire Duke Realty for \$26 billion (Prologis, 2023). The company has weaknesses of being limited in operations in the US market, and hence acquiring Duke Realty would help it command a significant market share in the US. Also, it will be easy to offer quality services to customers. The acquisition will increase profitability because Duke Realty will add more than 500 customers to Prologis' pool of customers. Increasing the number of customers adds to the company's revenues and increases the chances of attracting more customers in the US market.

Furthermore, the acquisition will position Prologis well in the US market because it will acquire more space for operations. Hence, it will improve the quality of services Prologis offers US customers. For instance, Prologis has acquired operational logistics buildings that sit o 142 million square feet from Duke Realty. Additionally, Prologis has acquired more buildings under development that sit on 7 million square feet of land (Duke Realty, 2021). Therefore, Prologis will have enough space for its operations in the US, which will lead to attracting more customers and streamlining its operations.

Marketing Mix

Marketing Mix is an important analysis tool that aids in showing the marketing strategies that a company is using to reach its customers and meet customer needs. In marketing mic, this analysis focuses on the four major Ps: Price, Place, Promotion, and Product.

Product

Prologis has acquired Duke Realty, and all Duke operations are taken over by Prologis, which means that it will be easy to meet the customer needs in the US. The services that Prologis offer to customers match what Duke Realty has been offering to its customers. Merging logistics, real estate services, and products from both companies will increase Prologis' product portfolio, and hence, company performance is expected to grow.

Price

Customers are always sensitive to prices, so Prologis must check on this aspect. Undoubtedly, the acquisition will allow Prologis to operate fully in the US. Hence, the cost of operations will

decline in the US, which can be extended to customers through lower prices of services. Lower prices encourage customers to make more sales, and hence the acquisition is an opportunity for Prologis to increase profitability in the long term.

Place

The acquisition of Duke Realty by Prologis helped Prologis to have easy access to customers in the US market. Customers in the US will find it easy to access services from Prologis while operating in Duke Realty facilities. Easy access to Prologis services and products will create room for increased profitability.

Promotion

It will be easy for Prologis to market its products and services to customers in the US market. Prologis will be in close proximity to customers, making it easy to promote services to them and also help in allowing customers to have access to the right information that aids in making purchase decisions. Undoubtedly, promotions lead to increased sales because customers access information about products and services. On the other hand, the acquisition show that senior Duke Realty officials will be working with Prologis, and hence this will aid in strategic management targeting the US market.

Conclusion and Reconditions

The study showcases that Prologis's acquisition of Duke Realty will increase profitability. The discussion shows that the acquisition will allow Prologis access to the US market and increase the pool of customers in the market. Prologis will have enough resources, including

operational buildings, to operate on a large scale in the US. Undoubtedly mergers and acquisitions play a huge role in increasing company profitability because resources, assets, and all strengths are shared to create a strong brand.

Prologis should focus on building operational capacities and building on Duke Realty's strengths. The company should also retain important Duke Realty employees to help the company dominate the US market. Customers should only notice the change of operations on the positive side but not the gaps that emerge after mergers or acquisitions. Thus, retaining employees will guarantee consistency in the process of offering services.

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