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BMGT 495

4/15/2018

Kraft and Unilever

Companies enter mergers and acquisitions for several reasons. First, they do so to limit competition. Competing to lower prices is costly for both companies involved. Secondly, they can diversify. Acquisitions are easy ways to add multiple revenue streams to lower the risk of one business model failing. Thirdly, companies can maximize efficiency and lower costs by playing off each other’s strengths. Lastly, it can help newer and smaller companies grow. Small companies often can’t maximize market share due to the fact that they can’t maximize efficiency through the value chain.

There are a few reasons why a company such as Unilever wouldn’t want to merge with Kraft. First, they could believe that they are already large enough and they can continue to grow without losing control of their company in a merger. They are one of the largest companies and entering a merger no matter the price would take away their control. Another reason could be that they already sell similar products and that this would result in sales cannibalism. A final reason could be that they feared if they grew too large it would lead to a decrease in production and quality.