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Re-assessing Your Company's Growth: *Acquisitions Can Play a Crucial Role*

By Allen Stott

With the new year just a couple of months away and the economy making people feel a little uneasy, many business owners are re-assessing their strategy for 2002, and beyond, knowing that they can no longer just sit back with that old "business-as-usual" mentality.



If you are one of those owners contemplating your future, you need to start with a comprehensive evaluation of your business. What areas are making you money and which are not? Once you determine the answers, you have several choices: leave everything the way it is and just beef up your marketing; discontinue those services and products that are not profitable or perceived as a "value added" by your current clients; sell part or all of your business to someone whose business it would complement; or expand your business to advantage of this economic climate, when others may want out of their business. You may even choose some combination of these, but let's be optimistic and focus on the last option—controlled expansion.

To do so, here are more options to consider:

- Expand in existing markets by increasing the share of existing business.

- Expand into new product and service lines that are compatible with existing lines.
- Expand into new geographic markets.
- Expand into unrelated business products and services.

WHY ACQUISITION?

Often choosing to acquire another company or portion of one is the best way to expand, with the shortest path to success, whether you are a large or small company. Here are a few of the benefits of acquisition for your consideration:

- If you acquire a company or portion of one that complements your existing business, there will be a natural synergy to combine marketing efforts. Profits can often increase through cost reduction as a result of reducing overhead as a percent of sales, greater purchasing power, combined operations and/or systems, and additional skilled employees.
- The acquisition of existing businesses in new geographic markets enables small to midsize companies to extend immediately into new markets by leapfrogging the normal two to five years for startup operations.
- It is usually cheaper to acquire a company already doing business in a target market than to attempt market diversification from your current local market.

Another key benefit is that you avoid increasing the number of competitors.

- Diversifying products and services that can be sold to your existing customers as well as to those of the acquired company can lead to significant sales growth. This can occur

without adding significant overhead costs. Increasing sales to existing customers is much easier and more cost-effective than trying to attract new customers.

- Obtaining skilled employees who are familiar with the operation of the business and the market in which it competes is a major benefit of any acquisition.
- Gaining established customers greatly reduces the time it would otherwise take to develop an adequate number of customers to support the overhead of a new operation.
- The number of competitors is reduced as a result of your purchase.

So, in light of this option, if expansion is in your plans for 2002, plan now. Work with an experienced company that not only can assist you with finding an existing business that is mature and profitable but also will lead the acquisition process to negotiate the best deal possible for you.

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