Geographic Expansion: Being Two Places at Once

By Frank D. Steenburgh | *Partner, New Direction*

Sooner or later, a printing business doing well where it was born will start to think about planting its flag someplace else. To expand geographically, a firm can either acquire a company in a distant region as a going concern or merge with it to form a consolidated, but dual-location, entity. However it is accomplished, geographic expansion brings a range of strategic benefits to the buyer:

• It makes the business more attractive as a vendor to larger customers, especially Fortune 500 companies. Many of these market leaders won't work with suppliers that don't have "bicoastal redundancy" or some other kind of footprint that assures national coverage.

• SLA (service level agreement) requirements for order processing and fulfillment become easier to fulfill.

• Think about the pressure for want-it-now delivery that Amazon's success has placed on every other business that ships product. Because of the distances involved, it's a difficult expectation for single-location suppliers to meet. Being able to ship from two distribution points instead of one shortens delivery times, cuts freight costs, and keeps customers satisfied.

Geographic expansion is full of opportunity for buyers, but it presents some challenges as well. For one thing, business cultures and values aren't necessarily the same everywhere, so it may take time for the two operations to be comfortable working with one another. The acquired company's customer relationships and service understandings have to be clear in the buyer's mind as well.

A key thing to get right is distance management. The buyer, temporarily at least, will want to send a trusted operations manager on site at the new location to coordinate effort. A qualified person must be available, and of course, he or she must be willing to relocate. This was the case at a company that this writer is associated with, where the home base of the acquired firm happened to be in the same part of the country the manager wanted to move to. It worked superbly!

At New Direction Partners, we have seen that once a company has made its first successful geographic expansion, the experience may pique interest in making others. Our database of potential acquisition targets in all regions of the country is available to every growth-minded owner ready for a serious discussion about planting the flag in another location.

New Direction Partners is an investment banking and financial advisory services formed by Peter Schaefer, Paul Reilly, Jim Russell and Tom Williams to serve the printing and related industries. Services include merger advisory services through the representation of selling shareholders as well as buy side representation, valuation services, financing and refinancing efforts, turnaround and restructuring services, and temporary/interim management consulting. To learn more about New Direction Partners, visit New Direction Partners' website at www.newdirectionpartners.com.