

Stu's View

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Expanding Sales Through Acquisition: Plan First, Then Implement

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Expanding sales through acquisition can be an effective and lucrative way to grow your business in today's economy – but doing it successfully can be a challenge. We have seen promising acquisitions falter because buyers failed to give adequate attention to two important areas of the acquisition process:

- 1) Pre-acquisition Strategic Planning, and
- 2) Implementation Planning

1) Pre-Acquisition Strategic Planning

The goal of a successful acquisition is to generate shareholder value. It must make sense as a part of your overall strategic growth plan. We recommend you begin your acquisition process with thoughtful consideration of its intended outcome.

Some potential acquisition goals might include:

- **Gaining a core competency.** Less mature markets offer greater expansion opportunities than the currently contracting commercial print industry. Large format, fulfillment, data mining, and design are all growth segments that may support your company's growth goals.
- **Expanding your customer base.** Depending on your growth goals, expansion could be into either the same or a related industry area.
- **Offering cross-selling opportunities.** Cross-training staff in both the buying and selling companies generates a broader knowledge base to better meet customer needs.
- **Purchasing technology to differentiate your company's services.** Proprietary technology is driving sustainable differentiation in the print industry today. Everyone has access to the same printing equipment, so offering proprietary technology increases the 'stickiness' of the customer base.
- **Replacing lost sales.** It is generally less expensive to purchase an established customer base from another printer in your area of expertise than to slug it out in the marketplace with your competition. The ancillary benefit of replacing lost sales is that you increase your

volume, which lowers cost on your entire customer base. This type of “tuck in” purchase thus replaces both your lost sales and the cost structure you had before you lost those sales.

2) Implementation Planning

Acquisition is a time-consuming, people-impacting process. It presents a change – one that has potentially significant implications for personnel at all levels of both organizations, as well as for customers, vendors and creditors. The “people factor” needs to be carefully and consistently managed throughout the acquisition process so everyone is on the same page and working toward your common goal.

Here are some ways to support successful implementation of the acquisition process:

- **Begin the acquisition process by assessing your management style.** Consider if you and/or your company have the skills and resources to manage multiple locations and/or different company cultures.
- **Start with what you know.** We strongly recommend that your first acquisition be of a healthy company in your current area of expertise. This familiarity allows you to more readily fix any issues that may arise. Be cautious about tackling a new core competency goal or take on an unhealthy company in an unfamiliar market.
- **Identify one person to be in charge of the full acquisition process.** This is an important, full-time job that should report directly to the buyer’s CEO and keep everyone focused on the implementation process.
- **Plan your acquisition implementation thoroughly.** Most acquisitions fail due to poor implementation or lack of implementation resources. Think through what needs to be done, when the timing is appropriate, and who has the skill set needed to accomplish each step. Make sure your resources are in place well in advance of actual implementation.
- **Develop and implement a robust communication plan.** Talk to both the buyer and target customer bases about the benefits of the acquisition, either in conjunction with or just prior to the public acquisition announcement. Give critical customers (those who comprise 10-15% of your sales), even more lead time before the public announcement. And don’t overlook the importance of clear and consistent internal communication to staff members on both sides. Good communication eases the stress of change for everyone, sets clear expectations and timelines, and helps build a cohesive team that will support your post-acquisition structure and goals.
- **Maintain the status quo in staffing--** especially in CSR or sales force areas -- for 3-6 months post- acquisition. This “no changes” policy holds true even if you must juggle 2 different compensation plans for the short-term. Don’t lose any sales people during this critical transition

period, and don't give customers an excuse to look elsewhere to have their needs met.

Whatever your sales expansion goals may be, remember that successful acquisition takes careful planning, communication, and commitment. A clear vision of what you want and how you will get there is key to any successful acquisition process.

Stu's View is contributed by Stuart Margolis, CPA and Partner of MargolisBecker LLC to provide information that helps firms operate profitably. More information can be found at www.margolisbecker.com.

About MargolisBecker

MargolisBecker has long been recognized as the financial expert for the printing, packaging and allied graphic communications industries, assisting thousands of companies with strategic and financial management, valuation, mergers/acquisitions, accounting, audit and tax services. The firm is noted for its expertise in enabling companies to optimize profits. Proudly, it is the purveyor of the industry's *Cash is King*, and *Value-Added Principles of Management*, and compiles the annual Printing Industries of America Ratios, the printing industry's premier financial benchmarking tool.

About New Direction Partners

The team at New Direction Partners LLC has guided over 200 printing company owners through the sales and merger process. The advisory services reflect a full set of skills to help you sell or expand your business: valuation, management consulting, financial advisory and investment banking. The deep experience and industry expertise at New Direction makes it uniquely suited to serve printing, packaging and allied graphic arts businesses.