

Reasons to Consider Entering New Markets through Business Acquisitions

By Don MOORE (from August 2017 Decision Point Newsletter)

Business owners wanting to expand into a new market often determine acquiring an established company, rather than starting new, can minimize not only risks, but the time and costs associated with expanding into new markets. The most frequent reasons business owners have asked for our assistance in acquiring an already-established business are to:

1. *Grow into new territories.* If you're trying to expand the geographical reach of your company, it might make more sense to purchase a reputable business in the region you're trying to penetrate rather than starting fresh.
2. *Gain new customers.* Winning new contracts can be extremely difficult in today's world of efficient supply chain management. Instead of banging your head against the closed door of clients you want, consider acquiring a business that already has the customer list you covet.
3. *Serve a growing (and impatient) market.* It might take months, or even years, to ramp up to a capacity level that satisfies the needs of an expanding market. By then, there's a good chance that competitors will have beat you out for new business. Instead, lock in the window of opportunity quickly by acquiring a business that gives you the capacity you need now.
4. *Add brands, franchises or licensed products.* If the national brand, franchise or product you want is already spoken for in your territory, you might find the best option is to purchase the competitor who already owns those licenses.
5. *Increase the number of distribution points.* If, for example, you are based in the western part of the state but need a distribution point in the east, you could build your own warehouse. Or you could buy a business that already has an established distribution point and reputation in the region you need.
6. *Increase manufacturing capacity in a new territory.* Do you have products that are so bulky and difficult to ship that it restricts the radius of your market to just a few hundred miles? Buying a second manufacturing plant in a new area can both increase your manufacturing capacity and make you a competitor in a new market.
7. *Add equipment capability to serve existing customer needs.* If your customer has a need for a product that you don't have the ability to produce, it might make sense to buy a business that does rather than losing that portion of your existing customer's business to a competitor.

Now that you understand the reasons why acquiring a business often makes more sense than starting new, learn how to find a company that's the right match for your needs. My next article will be titled "How to Identify a Business to Target for Acquisition" and will give advice to business owners on what to look for in a potential business acquisition.