

EXPANSION STRATEGIES

May 1, 2007 SDMMag.com



Branching Out Is Tempting – Have You Thought It Through?

Expanding a security systems integration business outside of its immediate region is a challenging, yet necessary means of sustaining growth and building a business.

The author interviewed three systems integrators: Cynthia Freschi, founder and president of North American Video, Marty Guay, COO of Securitas Systems and Barry Katsof, former CEO of Frisco Bay, now a consultant to Stanley Security Solutions. All three have effectively expanded by opening successful branches in the United States.

How do you identify the opportunity to open a branch?

There are several factors to be weighed, Freschi said, including proximity to primary potential targets, availability of infrastructure to support internal operations, travel accessibility, overhead in terms of office expenses and staffing, and business potential in the geographic region.

“Each of the locations we have were established with specific business objectives in mind and in response to closeness to key customers and/or impending business opportunities,” Freschi explained.

Having a customer base in the area is an economic driver in evaluating possible branch sites, Katsof said.

“When I was with Frisco, we primarily went to other geographies because of client demand. We didn’t just decide to arbitrarily open a branch; we did it because we had business there.”

According to Guay, both external market factors and internal company factors are needed to produce a favorable outcome.

“Market factors show us where there is a strong security market and a prospective customer base willing to pay for the types of services we provide.” Internal company factors include the people available to properly handle and develop the market.

What are some of the pitfalls?

It is very important to have a long-term vision, Guay said. “The project or customer may be the impetus, but you must go into the area with the foresight to build a business and not just take on a project or customer.”

Freschi called it a balancing act. “As business continues to grow, so do your responsibilities to both the client base and employees. The key to managing growth is through controlled growth and you must capitalize on new business opportunities without sacrificing current business strongholds,” she said, adding that time

differences and language barriers can be difficult challenges as well.

Katsof said that finding the right people to run the branch is a very difficult task. "You have to hire a whole staff, knowing that they will make all the difference in ensuring the branch works. Keeping a company running with multiple locations and being able to provide the same level of service is necessary for success. You don't want a company that is great in Chicago but not somewhere else." Maintaining a standard of service in all areas comes down to the people you hire.

How do you find and qualify the person to run the branch?

According to Katsof, it depends on whether you're searching for regional or district managers. "If it's regional, we're more likely to look for one of the shining stars in our existing companies and promote them. When dealing with a district manager, which is a bigger geographic area, we often go outside the box, meaning not only outside the company, but outside the industry. The industry is easily learned, but management is not," he admitted.

What are the preparations and cost?

Every situation is different. "A lot of planning, discussion and preparation have to take place," Guay noted. "Each opportunity and market needs a different level of investment and the initial costs are a strong signal of the long-term optimism."

Freschi explained that different geographical regions have different economic factors at work. "Our Mississippi branch, for example, presented us with staffing and housing issues because we needed to bring in personnel from other locations to establish operations. During the initial phases we actually brought in mobile homes to house our people."

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