Great Lakes Graphics Association
Illinois • Indiana • Wisconsin

We have an opportunity to acquire a mailing operation. I'm interested in tips and pitfalls to be aware of in evaluating the opportunity.

Here are my tips:

1. Make sure you will have an individual in charge of the mailing dept. that REALLY understands mailing and has (or can create) an excellent relationship with the post office you'll do the bulk of your mailing out of. Knowing the rules or referencing the USPS website is helpful, but being able to interact and trust your local USPS drop point/postmaster for guidance may be more important.

2. Make sure you know who your competition is and how big the players in your area are. If you can't offer co-mingling or other postal discounts, you'll be challenged to compete on larger projects.

3. Obviously identify why they can't make a go of it in your area or why they are getting out, then determine if you can do anything differently to make that opportunity more sustainable.

Who their customers are – are they some of your competitors and will they be likely to still be customers after you make the acquisition?

Why do you want to own a mailer? I understand wanting to control the process for your own mailings but not sure being the mailer always means being able to control the print.

We brought mailing in house a few years ago and that worked well for us. Depending on how large your own mailings are it can be pretty economical to get started.

Due diligence is crucial regarding mail shop equipment and income stream. The equipment has been dramatically changing in the last few years to be faster, better quality, and cheaper to operate. (ink jet especially) The income stream side of the equation is crucial! There are many mail shops that lose money on postage and hide it in their operating costs…OR…make money on postage and a make their bottom line look amazing but you may not feel comfortable with the "tricks" that are done to get these profits. The act of fronting the postage and including it on the invoice is a VERY dangerous and risky operating procedure. One bad client who doesn't pay an invoice with postage can cost you big!

Acquisitions are a great way to grow. Unfortunately, a failed acquisition is the #1 reason for a troubled company in this country. Managing the transition is difficult, merging cultures is ridiculously hard, and it always takes more resources, ie. money, hours, commitment, than was envisioned. Sometimes they work great – other times they can tank a company. In my career, I have had about 300 clients. I would need a calculator to count the number of times I heard "I made twice as much money and had half the headaches when I was half this size." That's not to say all acquisitions are bad. In fact, we bought (company name). But we did it for the right reasons. We expanded our product line to sell more services to our customers, and made their life much easier by having more services in one place.

There are a whole series of questions one has to answer before assessing whether to buy a company.

- Why? Is it just to get bigger or is the sum of the parts much bigger than the two companies apart?
- Does the buyer have room in their building for the target's assets or are they going to run two operations?
- Does one company complement the other or do they simply operate "next to each other"?
- If they want to just capture more sales, is it easier to just buy the sales staff away from the target company?
- Is the target company's management ready to step aside and let the buyer's management run the ops?
- Are there economies of scale? How many heads can be cut? You only need one receptionist, one accounting department, one CFO, one CEO, etc….how much can you save?
- Is the target company growing or declining? If the latter, why? It might be ok if they are, but then you have to buy it "right."
- And of course – why are they selling? Tired? Can't grow? Too much baggage?

Many more questions to be answered….