

## Case study

### Answers

- a) **What are some of the considerations Mr Copernicus needs to assess?**
- Does investment fit strategic direction?
  - What is the financial return of purchasing the business vs. buying equipment externally?
  - What is the cultural fit of the two businesses?
  - What is a reasonable value for the prospective business to be acquired having regard to the current market?
  - What is the quality of the customer base, equipment, staff, suppliers etc.?
  - Can SmartyCo fund the investment?
  - Funding considerations – one might be easier to fund than the other.
- b) **What are some of the positives for SmartyCo in purchasing the business instead of acquiring the required equipment elsewhere?**
- Gain a list of existing customers in the new area (digital)
  - Gain immediate digital expertise
  - Eliminate a competitor (Mr Newton)
  - May gain economies of scale
  - Expand business and meet strategic objective
  - May pick up some additional management personnel
- c) **What are some of the negatives for SmartyCo in purchasing the business instead of acquiring the required equipment elsewhere?**
- Only a 90% fit with required equipment
  - Financial and non-financial cost of acquiring business may be far too high (cost-benefit relationship)
  - Would miss out investment tax allowance if acquired business
- d) **Can you think of any other options for SmartyCo in expanding to the digital market?**
- Enter into strategic alliance or joint venture with a digital print provider