

Case study

Interactive Case Study – Opportunity

SmartyCo is a small printing business based in Melbourne which had derived its success over the last ten years by specialising in offset book production and maintaining a lean and highly productive operation. SmartyCo had recently set a strategic objective of expanding into the digital market in order to exploit the internal strengths it had and also to satisfy the growing needs of its customers.

SmartyCo had been conducting research into the type of digital equipment it required and had allocated \$4M to invest in the specific machinery required to enter the digital market. At PacPrint 2009 the CEO of SmartyCo, Mr Copernicus who is a dynamic and pretty much the only one with management expertise in the company, bumped into an old acquaintance, Mr Newton. Mr Newton owned a significant digital business with large capacity, new equipment and a short history of high profits. Mr Newton advised Mr Copernicus that he was seeking a lifestyle change and was interested in selling his business to pursue a career in mathematics.

Mr Copernicus immediately recognised the opportunity that SmartyCo could purchase Mr Newton's complimentary business (whose assets were around a 90% fit in terms of required equipment), instead of purchasing the equipment required. Mr Copernicus decided to evaluate the opportunity by preparing a business case for the purchase of the business.

Required

- a) What are some of the considerations Mr Copernicus needs to assess?
- b) What are some of the positives for SmartyCo in purchasing the business instead of acquiring the required equipment elsewhere?
- c) What are some of the negatives for SmartyCo in purchasing the business instead of acquiring the required equipment elsewhere?
- d) Can you think of any other options for SmartyCo in expanding to the digital market?