



THE TIMES 100

Davis Service Group brief

Introduction

The Davis Service Group employs 17,000 people across the UK and Europe. Its turnover is over £820 million. Its main business is in textile services. This includes hospital, laundry, hotel linen and workwear. In 2001, the Group had three parts. These were:

- Sunlight . textile services;
- Elliott . temporary modular buildings;
- HSS . tool hire.

Each of these was the UK market leader. This meant that none could grow significantly in the UK. The Group therefore decided to expand into Europe.

International expansion

A good way for a business to grow is to expand abroad, especially within the European Union (EU). The EU is a single market of 27 countries and 500 million people. Goods and services can flow freely within the EU - there is a common currency and a skilled workforce. Businesses that expand abroad have to take into account certain factors. These include:

- language . English is the main global business language;
- currency . most countries in the UK use the Euro. Britain still uses sterling.
- culture . to succeed, you need to know the correct way of doing things, for instance, greeting someone for the first time
- different laws and other systems;
- skill levels . may vary between countries.

Inorganic growth

A business can grow by joining with other businesses. This is called inorganic growth. This can either be by agreement (a merger) or by a takeover. This is when one business buys more than half of the shares in the other. Another way a business can expand is by horizontal integration. This is when two companies are at the same level of production. If two businesses join and are at different stages of production, it is known as vertical integration.

Acquisition

This is when one business buys the other. In 2002, Davis bought Berendsen, a market leader in textile services in Northern Europe. This company had local experience and a very broad customer base. Berendsen was not, at the time, performing as well as it should. Davis reduced costs, put in stronger management and trimmed back support functions. The two businesses were able to learn from each other. This is one of the benefits of horizontal integration. The factors that could have caused problems were with language, culture and currency. Berendsen solved these problems by:

- using English across its operations
- being based in countries where customers have similar buying habits to those in the UK
- working in Euros and comparable Scandinavian currencies.



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Organic growth

Groups can grow from within by increasing turnover (sales x price). The new Group has grown by gaining more customers. It has also shared best practice to become more efficient. Growth in the EU is possible as it gets bigger and has more wealth. New EU laws also provide opportunities, for instance, the need to provide protective clothing for certain workers.

Conclusion

The Davis Service Group grew by expanding its textile services expertise into Europe. This is called horizontal integration. It sold its other businesses to concentrate on growing its textile maintenance business. This allowed it to re-invest any profits and expand the business further.