



THE TIMES 100

Davis Service Group summary

Introduction

The Davis Service Group provides textile services in the UK and Europe. This includes linen and workwear hire, dust sheets and laundry and washroom services. It has 17,000 employees and an annual turnover of more than £820 million. The Group operates across the UK and Europe. In 2001 it comprised of three different companies, each of which was the UK market leader. These, businesses were:

- Sunlight . textile maintenance, e.g. hiring sheets to hotels;
- Elliott . modular buildings to provide temporary space;
- HSS . tool hire.

Each business was sufficiently strong that expansion in the UK market was not possible, therefore the Group decided on a strategy of overseas growth.

International expansion

Expanding overseas is a good way for a company to grow, especially if it can expand into the European Union (EU). The EU is a single market of 27 countries and 500 million potential customers. Goods and services are bought and sold freely within EU countries as there is a common currency in much of the EU and a skilled workforce. Businesses expanding overseas have to take a number of factors into account.

These include:

- language
- currency
- culture
- different legal and administrative systems
- variable skill levels.

Inorganic growth

One way for a business to grow is by inorganic growth. This is when two businesses join together. This can either be by agreement and known as a merger. Alternatively, when one business buys a majority of shares in the other, this is called a takeover. When the two businesses are at the same level of production, this is called horizontal integration. When they are at different levels of production, but within the same industry, this is called vertical integration.

Acquisition

When one business buys another, this is called acquisition. In 2002, Davis acquired Berendsen, a market leader in textile services in Northern Europe. It was better to expand by taking over this company as they had local experience and established customers. Berendsen was no, at the time, performing as well as it should. Davis reduced the operating costs, strengthened management and cut overheads by closing the central headquarters. Horizontal integration allowed the companies to learn from each other. Overseas barriers were overcome as:

- Language . Berendsen used English across its operations;
- Currency . Berendsen used the Euro and comparable Scandinavian currencies;
- Culture . Berendsen's customers had similar buying habits to those in the UK



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Organic growth

Groups can grow from within by increasing their turnover. The new Group has increased its customers and shared best practice to increase efficiency. Many opportunities for this sort of growth have been provided by the increasing size and prosperity of the EU. New EU legislation also provides opportunities, for example, the need to provide protective clothing for industrial workers.

Conclusion

The Davis Service Group decided to grow by expanding its textile services expertise into Europe. 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.