

# Expanding your business via a satellite operation

**The satellite office lets a company expand to a new market at a very reasonable cost.**

by Ed Wandtke

■ Even in a static economy, many green industry companies have opportunities to grow. But their home office may be at its capacity, or the new business is nowhere near the office. So they are faced with the challenge of expanding by opening a branch or satellite office.

Here are some evaluation factors, as they apply to satellite offices:

## 1. Where are your new customers located?

Often, growth is available only in "pockets of opportunity." These may be in your main market or in adjacent cities. As these pockets become larger, the company needs to evaluate the amount of time it takes to drive from the main office to service each of these customer pockets. Your initial target business may have been right near the office, while your new and growing business is located some distance from the office.

## 2. Who should consider a satellite office?

If you can say yes, to any of these questions, you should start to consider a satellite

office:

- Is your business becoming more mature?
- Is your current office located close to new market growth?
- Will you be marketing to this area heavily next year?
- Would you be one of the first companies to locate in the new growth area?

Also, determine the size of the opportunity in the new growth area.

## 3. What financial factors need to be considered?

In setting up a second service location, it is important to determine how long you expect to operate in this new location. What appears to be the right market now may not be the right market in as little as two to three years.

One method of avoiding an expensive investment in a property purchase is to enter into a one- or two-year lease with limited space. This may be merely a facility to store equipment and serve as a source of supplies or materials.

## 4. When do you open a satellite office?

The time to open a satellite office will vary, but is most often based on some of the following:

- Business in the new market is growing faster than nearer the home office.
- Travel time from the home office to the new market is resulting in more than two

hours of "windshield time" each day.

● Traffic to and from the new market is heavy, and opening a satellite office would allow crews to avoid long delays.

● Customer service calls are becoming less cost-efficient, and it's harder to maintain service excellence.

● There is not enough room at the main office to handle more equipment or service personnel.

Determining the exact costs to open a satellite may be time-consuming, but you need to carefully compare benefits. I have seen a mowing company as small as \$750,000 operate out of two locations due to traffic, proximity to customers, and the opportunity to allow an employee to assume management duties.

## 5. Why choose a satellite over a branch?

Many company owners believe that a(nother) branch is needed in order to expand to a new market. But in this era of computers and sophisticated telephone systems, the need to open an office in an expansion city is not always necessary. As a matter of fact, many companies are closing some locations. They are thus able to centralize their administrative operations at one location. Other companies are renting service bays with limited to no office space to help with service delivery and route efficiency.

## Next month: How about a branch office?

—The author is a principle at Wandtke & Associates Management Consultants, 2586 Oakstone Dr., Columbus, OH 43231. For more information, phone (614) 891-3111.

# KOOS



# SHORE

## "THE PROFESSIONAL'S CHOICE"

MIDWEST 1-800-558-5667

SOUTHEAST 1-800-329-2203