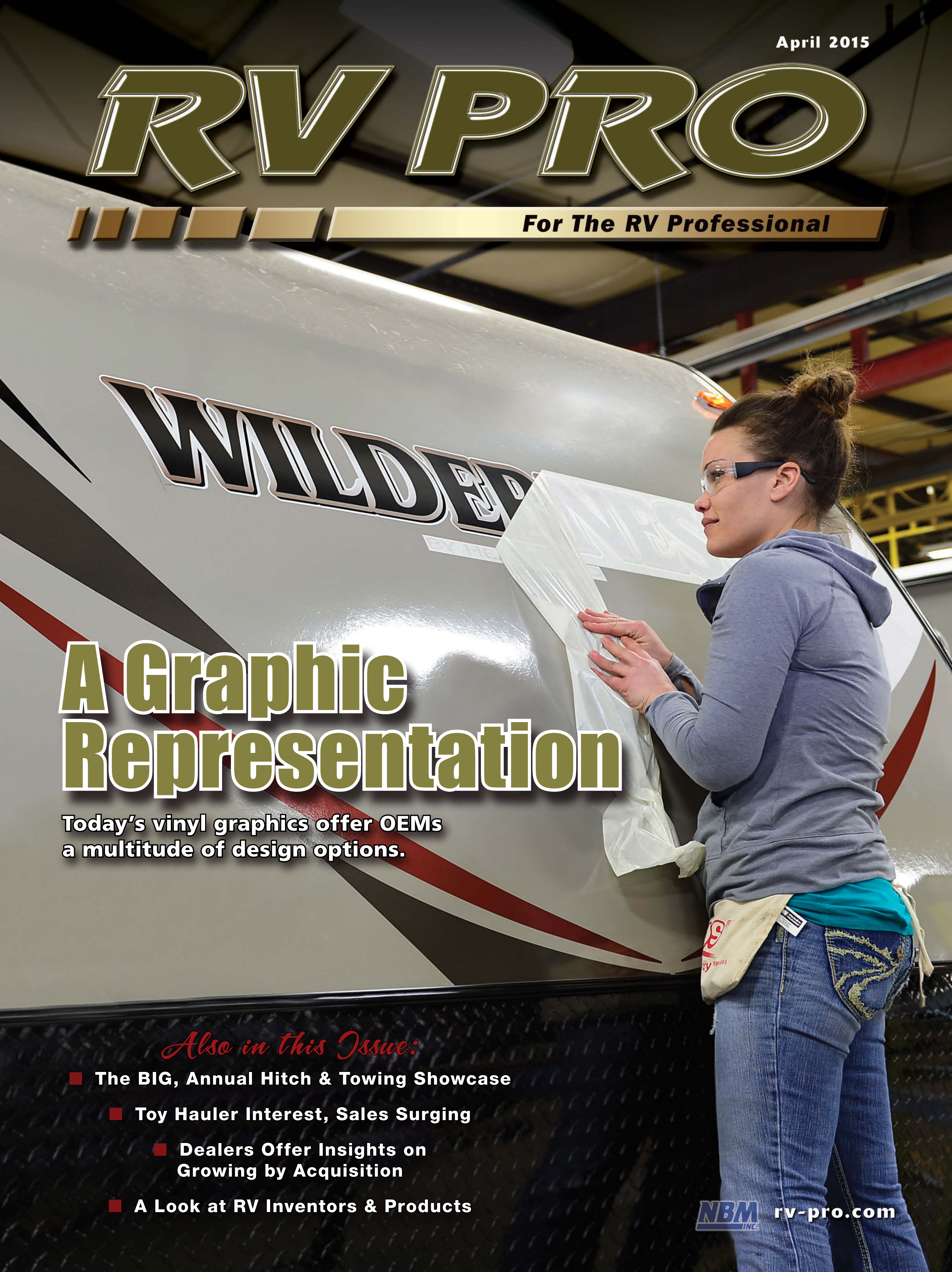

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RV PRO

For The RV Professional

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Growing by Acquisition

When looking to expand by acquiring another RV dealership, experts say dealers need to size up the compatibility of the seller's business operations, personnel and culture.

By Holli L. Koster

Opportunities for expansion don't come along every day for RV dealers, but Kingston, N.H.-based Campers Inn had an eye on the Atlanta market when opportunity struck.

"We were looking in that market, and it just so happened that another dealer was looking to exit," says Campers Inn CEO Jeff Hirsch. "It just seemed to work out."

In December, Campers Inn acquired the site of what will be its 10^{th} store, Peco Campers of Tucker, Ga., and its second dealership in the state of Georgia. Campers Inn has grown in recent years to include locations across the Eastern Seaboard, in New Hampshire, Massachusetts, Connecticut, North Carolina, Georgia and Florida.

While Campers Inn has grown at an aggressive rate, Hirsch says he is not interested in adding locations simply for the sake of expanding. Before pulling the trigger on any acquisition, Campers Inn management carefully weighs opportunities against the company's larger vision – which is to become a trusted resource to RVers in the Eastern U.S.

The management team also examines the operations and management of dealerships under consideration for acquisition to ascertain whether the target dealer is a fit, looking for key synergies, such as similar product lines (towables are a mainstay for Campers Inn), values and a reputation for taking care of customers.

"We align very well with the owners of Peco," Hirsch says. "They were a longstanding family business with values similar to ours, including an emphasis on parts and accessories and on taking care of customers. For us, this was the right decision."

Work Culture & People

"Any time you expand, one of the challenges is always making sure the new

"We were doing very well in the Northeast and eventually wanted to branch out to get a lot more eyeballs on the Pete's RV brand."
— Phil LeClair, marketing manager for Pete's RV

Pete's RV Center's second-generation owners are (left-to-right): Todd McGinnis, Scott Borden and Chad Shepard.

store still operates similarly to the store that maybe is creating the success that is allowing for expansion in the first place," says Hirsch.

People are a key part of that transition, he says, and one major consideration for Campers Inn in an expansion.

"One of the biggest reasons we look to expand is that we have a lot of employees that we value, and we want to offer them greater opportunities," Hirsch says. "One of the challenges in any company, big or small, is that you tend to get in employees and you may have nowhere to go with them. But, while you are expanding you can help them with their career movements."

Whether dealers promote from within the existing corporate infrastructure or bring on employees from a target acquisition, finding a manager that is an extension of the brand is important.

PleasureLand RV Center of Minnesota had a smooth transition during its recent acquisition of Hart Trailer Sales of Long Prairie, Minn. The dealership fit the expansion profile for PleasureLand – as a budget lot – and added to the company's statewide footprint in Willmar and Brainerd.

But CEO and President Dan Pearson says the company faced a learning curve in 2001 with its second acquisition.

"When you bring a general manager and staff onboard from the acquired store – even though you train – they tend to fall back on their previous way of doing business," he says. "Many problems arise if they fall back into their old ways, as it usually does not mesh with our way of doing business and creates headaches for all parties."

PleasureLand's difficulties in 2001 stemmed from general management not directing the staff and training them correctly.

"Every dealership has a different culture, therefore, it is very difficult to train in a short window a dealership's philosophy so the consumer has the same experience in each store they may visit," Pearson says. "A general manager who does not understand or does not want to follow the policy and procedures can only cause problems for staff and management."

Primary considerations in evaluating the Biloxi dealership for purchase was the area's demographics in terms of the local population and median income.
— Jim Hicks, president and CEO, Southern RV Supercenter

A Vision for Growth

When sizing up Reliable RV Center of Biloxi, Miss., for a purchase, Bossier City, La.-based Southern RV Supercenter carried through its plan of growing market share in the southeastern part of the United States, according to Jim Hicks, the company's president and CEO.

Seizing the opportunity to enter the market in Louisiana, Hicks and his partners are always looking for acquisition opportunities to expand Southern RV's reach along the Gulf Coast.

Among Hicks' primary considerations in evaluating the Biloxi dealership was the area's demographics in terms of the local population and median income.

"This is a great interstate location with opportunity for growth," he says. "We also were able to purchase an additional 7 acres of land next to the property, wooded raw land adjacent to I-10."

However, the store's plateau – at 7 acres, is smaller than Southern RV's typical store footprint (although it will be 14 acres total with the additional property the dealership purchased) – also presented some challenges for Southern RV as managers mulled over just how they would bring the new location into the company fold.

The dealership plans to build on the property, adding a 40,000-square-foot, state-of-the-art facility that will house a large indoor showroom, a retail parts and accessories department and a large service department. It also will carry many of the same brands of motorhomes, fifth wheels, toy haulers and travel trailers that are currently carried at the dealership's other Southern locations.

Without immediate plans to expand, Vermont-based Pete's RV Center was presented with an unexpected opportunity to acquire Rollin-On RV in Schererville, Ind., outside of Chicago in 2011.

"We were doing very well in the Northeast and eventually wanted to branch out to get a lot more eyeballs on the Pete's RV brand," says Phil LeClair, marketing manager for Pete's RV.

A bold move for the established East Coast dealership, the geographic challenge of opening a second location hundreds of miles away was a major hurdle. However, the new location provided Pete's the opportunity to grow when it was limited on physical space at its Vermont flagship.

"Our key management team did a lot of shuttling back and forth," says LeClair. "It was not a turnkey situation."

One of the things Pete's RV learned during its acquisition, says LeClair, is the importance of understanding the local customer base and building trust in a new market.

Rollin-On's management team, who had been in business in Indiana for 30 years, were assets to Pete's RV in that regard. Pete's

RV's acquisition was an amicable one – Rollin-On's owner was in the same 20 Group as Pete's RV's owner and they were friends for years. As Rollin-On's owner was looking to retire, the two parties were able to make it work and proceed with a fairly smooth transition of ownership.

Growing Corporate Staff

Another consideration for growing dealers is accommodating corporate staff – a challenge Campers Inn is currently experiencing.

"That's one area we probably miscued on in terms of the growth of staff that would be required," says Hirsch. "When you go from a store model to a functional model (corporate-directed), you need more corporate staff, which requires more space."

One of Campers Inn's challenges going forward will be whether the company should go to a new facility that can house corporate staff or build on its current site.

"We're now at 10 stores, and we've got 11 firmly in our sights," Hirsch says. "We've got marketing people, accounting staff, a national service director and regional sales directors. When you start to lay in all of these people, you need offices for them."

He says business owners also need to consider the growth of corporate staff necessary to support additional stores, especially in terms of replicating business practices in new store locations.

"It's always easy to jump in and think more is always better, but there are a lot of things that go into an acquisition."
— PleasureLand RV Center CEO and President Dan Pearson

Staffing & Store Connectivity

"It's always easy to jump in and think more is always better," says Pearson, of PleasureLand RV, "but there are a lot of things that go into an acquisition."

One thing Pearson says many business owners overlook are macro issues, such as office compatibility, phone systems and support, computer hardware and software, and personnel.

"Making sure your stores are talking to each other is so important, but it's expensive and a learning process – and not something to take lightly."

Hicks, of Southern RV SuperCenter, says licensing in another state, getting product lines in order (because some acquisition targets work with different product lines), and bringing personnel into the fold are among the challenges an acquiring dealership can face.

"No one's ever excited about a new company coming in," he notes.

In its Indiana location, Pete's RV offered a position to all of Rollin-On's existing employees.

"The key is making sure you have strong managers in sales and service and train, train, train your employees" LeClair says.

"A company's value is a function of the buyer. One buyer might be willing to pay a four-multiple of their profitability, another might be able to make an eighth, depending on their plan for the business."

— Kevin Short, managing partner and CEO, Clayton Capital Partners

Assessing Value

If a business fits the bill and makes the short list, how do a buyer and seller determine the value?

"A company's value is a function of the buyer," says Kevin Short, managing partner and CEO of Clayton Capital Partners, an independent investment bank specializing in mergers and acquisitions. "One buyer might be willing to pay a four-multiple of their profitability, another might be able to make an eighth, depending on their plan for the business."

From a seller's perspective, Short says the value is going to be four to five times profitability for a business with no bank debt, adding any cash it has in the bank at closing.

Among the questions a buyer should ask in determining value, says Short, are financial ones – what is the financial health of the company – and personnel-related ones – what is the management team that is coming with the business like?

"Often the owner of the business may be the best salesman," says Short. "Is the owner going away after the sale? It's the same with the accounting and financing people. Who is important, and who isn't?"

Another big issue to consider is RV manufacturers. What kind of agreement does the previous owner have in place, and will the new company be approved as a seller?

In addition to assessing the capacity of the target company's balance sheet, Hirsch, of Campers Inn, says business owners also need to evaluate whether they have the financial resources to fund growth and survive an economic downturn.

Dealers need to look at issues such as what the economy is doing, what the tax companies are doing, and how all of these factors affect the RV business, Short says.

"Also check out the market," he adds. "What does the competition look like? What are the big chains? What affects have they had?"

Is Expansion the Right Move?

For PleasureLand, a budget lot on the site of Hart Trailer Sales was a prime opportunity to expand on a concept it had been experimenting with in an effort to meet the needs of two entirely different sets of customers.

The dealer's larger lots, such as its flagship in St. Cloud, typically stock 400 to 500 units from as many as 26 brands, some carrying price tags of up to $400,000.