

LUMONICS

How to Exploit Cross-Marketing Opportunities

The Canadian operations

Lumonics was acquired by the Japanese company Sumitomo Heavy Industries in May 1989. The Lumonics brand name covers 4 companies all operating in the laser industry. Before the acquisition by Sumitomo, Lumonics was a publicly-owned company based in Kanata, Ontario.

Its overseas activities

The incursion of Lumonics into the UK market was done through the acquisition of JK Lasers. Other options were considered (eg. setting up own European sales office), but it was decided that the company needed to get bigger to protect itself against its competitors.

JK Lasers was chosen because of its complementary lines of product, and because of an apparently very similar culture. The first and foremost objective of the deal was to exploit cross-marketing opportunities with Lumonics products being sold through JK Lasers' European network and vice-versa.

Lessons to be drawn

The expansion process was completed by the acquisition of 2 other companies in 1984-85. From 1986 onwards, the laser industry went through difficult times, which added to internal growth problems, led Lumonics to sell the company. Among the lessons to be drawn from their story:

- "People should spend more time looking at differences than similarities." For example, different methods of production. The implementation of the Canadian approach on the operations of JK Lasers caused a great deal of disturbance during a period of rapid growth.
- Neither companies' management had the experience of running larger operations. They did not have the right structure to cope with rapid growth.
- Not enough time was spent developing the concept of corporate citizenship. The UK staff felt, for a period, subservient which affected the entrepreneurial spirit.