



When retailers are struggling to sell their PC stock, there's one company they can turn to that can shift it with ease. Robert Blincoe talks to the top men behind the end-of-line technology retail specialist, Morgan

## Supplier profile: Morgan

**H**ow can you not like a computer company where its chief executives while away a few spare minutes making fun of the mobile phone-obsessed media trendies parading outside their office window? But aren't computer company executives supposed to have a mobile phone in one hand and a PDA in the other while preparing a Microsoft PowerPoint slide presentation on their fully loaded, flat-screen desktop?

Morgan Computers is not like that and it's all the better for it. The managers of Morgan don't litter their speech with marketing buzz words. They marvel at how the mainstream computer industry throws away its profit margins by cutting the price of the latest technology, despite being in short supply. Then the Morganites go about their business making money out of the situation.

Morgan's business is selling end-of-line, overstocked and surplus computer goods. Basically, it sells not quite the latest thing. It also sells refurbished kit and returns from other retailers. To suit the dirty end of the business it occupies, the company's head office is based in a down-at-heel industrial estate off the A40 in Greenford,

Middlesex. It's part of the London sprawl and to buy a cup of tea and bacon sandwich, you have to get in your car and drive somewhere else.

### Humble beginnings

Morgan began life as a secondhand camera shop on London's Tottenham Court Road back in 1975. In 1982 it branched out into the emerging personal computer market and started to sell secondhand Sinclair ZX81s, then Sinclair Spectrums and, for the rest of the early 1980s, personal computers.

According to chief executive Robert Nicklin, the store had a sign which read 'IBM unauthorised dealer'. "It was a bit of a joke," he says, but it's indicative of the position Morgan feels it occupies in the computer industry: an outsider.

Nicklin has worked at Morgan – named after the car company – from the beginning. In 1985 he bought it out and opened its New Oxford Street flagship store in 1987. Originally Morgan's core business was buying bankrupt stock to sell on, but these days suppliers usually get there first, grabbing all their stock back before companies go bust. Now 95 percent of Morgan's range is from



end-of-line goods and overstocks. If Morgan's monthly catalogue, which you can order from its website, has plenty of a certain product, then it was not selling well using the regular sales channels.

### Overstocked, over here

The September issue of Morgan's catalogue reveals a large number of HP Pavilion PCs, advertised as 'stock rotation' specials. This means HP had not managed to shift all the PCs it manufactured. It seems to be a recurring problem for HP. In the words of David Atherton, the managing director of online retailer Dabs.com, which sells £1m worth of HP kit a month: "HP's a perfectly good PC brand – it is an A brand, but it has never done well in PCs. It is seen as a printer company."

Morgan director Tom Willett rates the HP machines and is scathing about the quality of lesser brand machines, which have been manufactured to the cheapest specification. "If you paid £100 more you'd get a better keyboard and mouse. I think it's incredible that people will put up with clones," he says.



**"Everything on the flyer is available in all shops. We don't advertise things we don't have. We pile it high and sell it low. We're box shifters"**

Robert Nicklin, chief executive

### Please ex-lease me

Also featured in the September brochure are a bunch of 'ex-lease Toshiba laptops', ranging in price from £469.99 to £704.99 inc VAT. The product information claims, "These machines are all ex-lease, factory refurbished and repackaged by IBM... All stock sold with three-month warranty, although many have balance of Toshiba three-year warranty."

The story behind this is that IBM has secured a deal to fit out top accountancy firm Arthur Anderson with laptops, replacing its Toshiba machines. The bean counters obviously like to regularly upgrade their notebooks, certainly more regularly than every three years. As part of the deal IBM is refurbishing and selling on the used Toshiba machines. This has all happened

before the original Toshiba warranty has expired, so Morgan customers get the remaining warranty.

Willett says the company sells a lot of these machines, especially in the £300-£500 range. "They're a good second machine if you haven't got £1,000 to spend. The ex-corporate ones all have as much memory as you can pack in them."

But being labelled refurbished doesn't always mean the product has been used. "We will sometimes call our machines refurbished when they're new, so as not to conflict with the channel," says Nicklin. "For example we agreed to sell eMachines' PCs as refurbished, so as not to conflict with Dixons." Dixons has an exclusive right to sell new eMachines PCs in the UK.

Another thing to like about Morgan is that it seems to enjoy technology products, even if they aren't selling. Nicklin suddenly starts extolling the quality of a pair of TDK S80 speakers which he'd bought from Dabs.com. He's into his hi-fi and he's impressed with the sound quality. A few days earlier he'd been making sure the whole Morgan office experienced the sound quality. "They are amazing speakers – they are fantastically good," he says. I bet his staff think so too.

But he can also get excited about some of the offers Morgan has. "We just bought some Minolta film scanners. To Joe Public it's of no interest – it scans negatives and transparencies on to your PC. You couldn't buy it for less than £2,000 but we're selling it for £1,000. If you're half interested it's a real bargain."

Nicklin puts Morgan's longevity down to its ability to adapt to change. The Minolta product is harking back to Morgan's roots – cameras and photography. In the mid-90s it sold loads of fax machines, a market which is really tailing off.

## Morgan at a glance

**Founded** 1975 as a secondhand camera shop

**Number of employees** 50

**Turnover** Forecast at £8.5m for 2002

**Ownership** Bought out by manager Robert Nicklin in 1985. Nicklin has been with Morgan since 1975

**Business** Sells end-of-line, surplus, excess inventory and discontinued computers, printers, digital cameras and other peripherals. The company sells goods out of four stores, a mail order department, webstore and an online auction site

**Customer profile** Knowledgeable home users, small businesses, schools and colleges who are working on a budget

**Store locations** New Oxford Street, London; Manchester; Birmingham; Greenford, Middlesex

**Headquarters** Unit 25, Derby Road, The Metropolitan Centre, Greenford, Middlesex UB6 8UJ

**Websites** [www.morgancomputers.co.uk](http://www.morgancomputers.co.uk); [www.morgan-auction.co.uk](http://www.morgan-auction.co.uk)

**Telephone** 020 8575 0055

Digital cameras are now big stuff and Morgan's only problem is getting hold of enough stock. In March, April and June, 20 percent of its sales were digital cameras.

## Soft sell

But one technology area Morgan doesn't dabble in is software. "Software piracy has killed cheap software," says Nicklin. "We used to sell loads of packages and sell them cheap. But now if it isn't Office it's got to be free. Budget software is dead."

Its four retail stores do most of the business for Morgan, but this has been the first year that internet sales have overtaken its mail order business. Online business now accounts for 20 percent of sales, auctions 10 percent, and mail order another 15 percent.

The auctions are reserved for odds and ends and one-offs and last a day or so. But, as ever, the Morgan way has no hard and fast rules. Nicklin says: "Sometimes if we're not sure how it'll work out we'll leave the auction on for a bit longer."

Morgan has a flexible sales approach and will use any of its sales channels to get something sold. It doesn't reserve certain products for online or for the stores. "Everything on the flyer is available in all shops. We don't advertise things we don't have," says Nicklin. "We pile it high and sell it low. We're box shifters."

But the auction can sometimes be the end-of-the-line for some merchandise. If something is proving tough to shift, Nicklin's approach is: "We'll sell it cheaper and eventually we'll dump it. After us there's nowhere else to go."

The company has had people raiding its skips in the past, but thinks these



↑ The Auctions section of Morgan's site sells end-of-line merchandise to the highest bidder

## Morgan price check

It is not simple to put Morgan into a price comparison battle with other computer goods retailers. The nature of its business means it is usually selling equipment no longer on mainstream retailers' shelves.

However, here are a few examples from its September 02 catalogue and equivalent prices from selected manufacturers. All prices include VAT.

Lexmark X73 printer, scanner & copier

**Morgan £82.24**

**Dabs £103.40**

**Jungle £102**

**PC World £103.98**

**Dixons Online £102.85**

**Microwarehouse £99.85**

Canon CanoScan N640P flatbed scanner

**Morgan £35.24**

**Eurooffice £82.24**

Toshiba Satellite Pro 6100 notebook with 1.7GHz P4, 256MB DDR RAM, 40GB hard drive, DVD/CD-RW drive

**Morgan £1,762.49**

**Dabs £1,784.82**

Toshiba Portege 4000 notebook with 750MHz PIII, 128MB SDRAM, 20GB hard drive, DVD drive

**Morgan £1,409.99**

**Dabs £1,761.32**

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Robert Nicklin, chief executive

scavengers would have been sorely disappointed once they found out exactly what they'd got.

## Charge of the price brigade

Morgan's pricing is also refreshingly cavalier. It charges "what we think we can make – or what we can get away with", says Nicklin.

However, service is one thing Nicklin isn't cavalier about. It annoys him when he suffers bad service and because he's aware that the word 'service' is often used as a glib, throwaway, meaningless comment, he doesn't promise anything he can't deliver.

"We've never said service is our big thing. If your machine goes wrong we don't say, 'Put the kettle on, our engineer will be round before it's boiled'."

Willett believes the principle of having a customer service department seems to have nothing to do with customer service but is about putting customers in telephone queues and making sure they don't impinge on a salesperson's precious time making money. "But because we're a small company you can speak to someone," he says.

"We do try and sort out the problem. The stores will say bring it back in, suggest a time when they won't be busy and try and sort it out," says Willett.

Morgan employs staff who can do this and, unlike many retailers, it seems to be able to keep its staff. And the staff like working there: "Once people have been here a year they seem to stay for a long time," says Willett, pointing out that five guys at the Manchester shop boast more than 40 years service between them. Nicklin offers an encouraging, disciplined, simple approach to staff management: "Achievements are recognised and failures are bollocked," he says.

An example of Morgan's service came from the ground-floor shop at its headquarters in Greenford. While waiting to interview the bosses, I chatted to a friendly man behind the counter. He said that when selling a refurbished PC, "I always try and pick out one without a scratch. If it's for your home you don't want it with a scratch, do you?"

Just because you're shopping for surplus computer stock on a trading estate doesn't mean you want damaged goods and poor service. ■