



US company Systemax is no high-flyer. It models itself as a middling brand based in the middle of the country and, it seems to Robert Blincoe, aiming for a middling public profile

Supplier profile:

Systemax

Systemax's new £9m HQ in Wellingborough, Northamptonshire, was opened by World Professional Snooker Champion and local legend Peter Ebdon. He was the perfect choice of celebrity to reflect Systemax's image: nothing flash, nothing wide, nothing unreliable. After all, who, in all honesty, would want to buy anything from the Alex Higgins of the computer industry?

The US-owned company has been in business since 1935. It is now a \$1.5bn Group Fortune 1000 company with facilities in the US, UK, Germany, Italy, Spain, France, Holland and Sweden.

Systemax has been in the UK for quite a while and currently operates under three different brand names: Simply, Misco and Global Direct. Each is predominantly a catalogue sales operation selling computer goods and related accessories including desks, phones, projectors and shelving. The manufacturer also produces its own range of PCs and notebooks, a development of the original Simply business, and are sold as Systemax-branded machines by Simply, Misco and Global Direct.

The three operations run as one legal entity with one set of accounts and each

sells an identical range of products. The only significant difference is that, historically, Misco and Global have sold to businesses while Simply is aimed at consumers. However, if you're making your first purchase from the company, any of the three names will do. Les Biggs, Systemax's chief executive for Europe, says, "It's no secret that our catalogues are identical."

Keep it in the family

Systemax's advertising in *PC Advisor* is a prime example. On its Systemax advertisements it invites potential customers to call the Systemax sales team, listing phone numbers and web addresses for Simply, Misco and Global Direct. This gives the impression that Systemax is a PC manufacturer with three authorised dealers selling its products. It doesn't matter whether or not you know these 'dealers' are all part of Systemax. As long as you're buying from Systemax, the system works. Establishing competitive brands to grab as much of a market as you possibly can is not a new way of doing business.

Once you've picked up the phone, you'll either make a purchase or, at the very

least, be encouraged to give out your details and receive a sales catalogue from the Systemax branch you called. Catalogue sales and customer database management is Systemax's business.

"You can bet," says Biggs, "that when someone tries us they'll be buying a consumable." But they'll be a customer and they'll be marketed by phone and by catalogue and there's a good chance they'll buy more.

Systemax sends out 1.2 million catalogues a month across its three brands, which equals 20 million brochures a year. These are segmented and directed at different kinds of customers. For example, there's Misco IT Solutions for Education, Misco Networking, Global Direct Furniture and Seating, Global Direct Connect (featuring phones, answer machines, headsets, hold music CD players), Simply Networking and Simply One Stop Business IT Solutions.

All in all, Systemax publishes 20 different catalogue titles in the UK across all its brands. "We're probably the largest mailer of IT catalogues in Europe," says Iain Stephen, Systemax's UK marketing manager.

Sellout show

As well as the Systemax own-brand computers, the company sells machines from HP, Acer, Toshiba and IBM. It will, in fact, source any make for its business customers if they're not listed in the catalogues – even Dell, which usually sells direct to its customers.

Biggs says that 20 percent of Systemax's sales are non-catalogue items. "Our customers say 'Can you get this for me?' and we try." Stephen points out that as the company supplies more than 20,000 products, it can't put them all in the catalogues anyway. Systemax does do business on the web, but Biggs concedes that, compared with the volume of business it achieves through its catalogues, web orders are fairly low.

This is not surprising, as businesses are still very much geared to buying over the telephone and mail order is a well-established way of buying in the UK. Small businesses are comfortable buying this way. A competitor like Dabs.com, which is very strong in consumer sales and only allows them to buy via the web, has to let business customers phone in their orders.

Dabs' managing director, David Atherton, says he wishes he had Systemax's business-to-business sales. "There are issues related to attracting business people to the web, so Systemax has exactly the right model. But if it was me I'd still be trying to push it more on to the web."

Good for business

The business-to-business arena is where Systemax is comfortable and, following the acquisition of Simply, the company has moved it away from its consumer roots. "When we acquired Simply, 70 percent of its sales were to consumers. We've turned that around so now 70 percent of sales are to businesses."

This market position is why it doesn't really see Dabs as a major competitor, but considers Microwarehouse as more of a rival. But Systemax isn't totally abandoning consumer sales and the Simply name is still used in magazine and paper advertisements aimed at consumers.

Biggs says consumers are very price-driven, but businesses choose their suppliers on "service, relationship and then price". Among the mail order businesses, price isn't really seen as a way of differentiating yourself. "There's really no difference in pricing between any of our competitors. But we do like to give good service," says Biggs.

This is the sort of claim most companies will make, even if they don't



"There's really no difference in pricing between any of our competitors. But we do like to give good service"

Les Biggs, CEO, Systemax

manage to deliver. But Systemax is certainly geared up to build customer loyalty. The company employs 700 people in the UK, with 400 of them working in sales. Of these, 300 are called 'outbound corporate sales', which means they regularly call their accounts to see if they want anything or if their previous purchases are working fine.

Inbound sales are the ones generated from the catalogues and adverts and its Systemax's aim to turn these customers into accounts. Between 65 and 70 percent of sales are outbound and the split between inbound and outbound

Systemax at a glance

- Founded 1935
- Employees 3,640 worldwide, 700 in UK
- Turnover \$1.5bn worldwide, £200m+ UK
- Business Manufactures

Systemax-branded PCs and notebooks; sells computers and related products via mail order through Simply, Misco and Global Direct

- Marketing Prints 20 million catalogues a year under 20 different titles to target different customers
- European headquarters Darby Close, Park Farm South, Wellingborough, Northants NN8 6GS
- Websites www.misco.co.uk; www.globaldirect.co.uk; www.simply.co.uk; www.systemaxpc.co.uk
- Telephone 0870 727 6000



"is growing all the time", says Biggs. "The outbound were once inbound. Prompting these guys to order is better for us."

Order of service

The company processes in excess of 4,000 orders a day. Everything is dispatched from its warehouse in Greenock, Scotland. If ordered before 6pm, Biggs estimates that 97 percent of goods will be delivered before 2pm the following day. The remaining three percent should arrive between 4pm and 5pm.

Biggs says Systemax effectively charges £15 for this service, which he thinks is half what some competitors demand. He says Systemax's contract with Business Post, the company it uses to ship its orders, is worth between £3m and £4m a year. "We do charge for freight, but overall we don't make money on it. People think we do, but if you tally everything in we more or less break even. If we lose a laptop, we only get £50 back from the insurance, so our freight profit is zero."

Systemax has 100 technical support staff. It promises to swap DOA (dead on arrival) products – in other words, goods that don't work from the moment the customer unpacks them – immediately and, on products under a return-to-base warranty, turnaround should be 48 hours. Biggs is honest enough to admit, "it doesn't always work out like that".

Model behaviour

Systemax's own-brand PCs are built by UK assembler UKCC (CC stands for configuration centre) and are available preconfigured or as custom orders. Custom-built PCs are promised within

Just because CEO Les Biggs drives an old-school Jaguar Sovereign with a personalised number plate, it doesn't mean it's parked outside an old-school operation

seven to 10 working days, but a prebuilt model could be available the next day. It says it is selling 30,000 own-brand PCs a year at the moment.

Systemax's Reliance 3017 PC has just finished a three-month stint at the top of *PC Advisor's* Power PCs chart. A Systemax machine also sits at number five in the Budget PCs chart, as well as numbers eight and 10 in the Superbudget PCs category.

With notebooks, the company fails to rank in *PC Advisor's* Power and Budget categories, but it's working on this. It is swapping manufacture of laptops from Centerprise, which has built Dixons' Advent machines in the past, to UKCC. "When we're with UKCC we'll have more control," says Biggs.

Daring to be different

Though Systemax sticks to a tried-and-tested way of selling its products, it is not afraid of innovating elsewhere in its business. The IT manufacturer is proud its PCs aren't like everyone else's: they feature lockable security doors to prevent unauthorised access to drive bays; security loops to lock them to desks and deter thieves; dual outlet power supply so the monitor can be powered by the PC; and forward-facing USB, microphone and headphone sockets so the rear of the case does not need to be accessed.

And just because chief executive Les Biggs drives a very traditional old-school manager Jaguar Sovereign with a personalised number plate, it doesn't mean it's parked outside an old-school operation.

The new Wellingborough offices feature one of the largest installations of Voip (voice over internet protocol), which means running phone operations over the internet, and what they believe is the first use of new regulation lighting for computer screens in the UK.

Systemax even uses a PR company called The Crocodile, based in one of London's trendiest areas, Hoxton, and got Ruby Wax to entertain at its last staff and supplier event.

Though Systemax concentrates on refining and growing its established way of doing business, it's not afraid of employing the latest methods and is not blind to the way computer selling is evolving. ■