



Supplier profile: Hi-Grade



The reliability of a PC supplier – its financial stability, reputation and ability to support customers when things go wrong – is as vital as price-performance to the purchaser.

In this month's supplier profile, Andrew Charlesworth sees how well Hi-Grade

Computers measures up on these criteria

Hi-Grade is based in Barking, east London, on an industrial estate where you wouldn't be surprised to see Phil Mitchell drive by in an old maroon Jag en route to some blag or other.

PC Advisor visited Hi-Grade there on a sunny July day, but we've since updated some of the figures to account for changes.

Of necessity, computer companies have a lot of blaggable kit onsite. Processors and memory are high value and low weight, almost as efficient as class A drugs in that respect; a 6x6ft strongroom can hold £2m-worth and still be half empty.

Security at Hi-Grade is tight: a barrier on the carpark, a guard with crisp ex-military manners and, once inside, locked doors at every turn opened by the swipe passes which all staff wear.

If your image of PC factories is from Intel TV ads, forget it. Funky spacesuits are reserved for Silicon Valley clean rooms where chip wafers are fabricated or the

magnetic platters of hard disks are balanced on their spindles. And robot arms that pick up and place Jellytot-like components on printed circuit boards are only found in Korea and Taiwan.

However, once made, these sub-assemblies wind their way up the global foodchain to the likes of Hi-Grade where desktop PC manufacture is more accurately described as assembly, performed by technicians with little more than an earthing strap, a Philips-head screwdriver set and a few days' training.

Many of the components, such as casings, are bulky. Consequently, in any PC assembler, Hi-Grade included, stores takes up as much floor space as production and testing put together.

Assembly line

Some PC makers pass machines from station to station during production (called line manufacture) so a person on the

assembly line fits, for example, only graphics cards. Hi-Grade's production method is like Volvo's used to be: each person builds a whole PC from start to finish. This is called cell manufacture.

There's nothing hugely clever about PC building: it's much like the assembly of any other consumer durable with standard parts bolted together in standard configurations. Where PCs differ from, say, vacuum cleaners, is that they are nearly always built to order, not for stock, and there are many variations of configuration. But the clever stuff like inventory control and order tracking is invisible here.

Hi-Grade adopts the same system as other PC makers of its size: a BOM (bill of material), essentially an expanded copy of the order received by sales from the customer, is attached to a casing and a bin of components. The BOM shows the customer's name and address and the PC is put together by one person.

Bend to fit

Workflow and inventory replenishment are managed by a supply-chain management computer system. It's expensive stuff and involves building processes to suit the software and configuring software to suit the processes, but it's standard fare for manufacturers of all kinds.

Hi-Grade turns out 100 desktop PCs a day this way, including those under the Atlas brand. Most are built to order, but it also builds six month's stock for mail order catalogues such as Grattan and Great Universal.

The company also makes 150 notebook PCs a day. These come from Taiwanese manufacturer Asus with processor, memory, hard disk, network chip and graphics controller pre-assembled in a powered chassis. Almost all notebooks are supplied this way to manufacturers. The number of companies that make their own notebooks from scratch can be counted on one hand.

Some of the notebooks assembled at Barking are dressed up in Hi-Grade clothes and some in Advent garb to be sold through Dixons Stores Group shops – PC World, Currys and the eponymous high street outlets. Hi-Grade has had this contract for two years and DSG is its biggest customer.

Putting it to the test

Once a desktop or notebook PC is assembled, it goes for testing and software loading. Again, there is no magic here: a standard suite of software tests the functionality of every component – disc drives, modem, I/O ports. Only what is inside the system box plus mouse and

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keyboard are tested. The branded monitor and other peripherals are not unpacked – Hi-Grade holds them for forwarding with the completed order. Simple failures are sent to rework, where they are rectified and then returned to the test loop.

If more fundamental compatibility problems are detected, the situation is referred to research and development, which has to approve every configuration the company sells. There is a constant tension between R&D's requirement to test every possible permutation of configuration and sales' and marketing's desire to put the latest and greatest specifications out on sale as quickly as possible.

Brass tacks

Once a PC has passed its tests, it goes on to dispatch, where it is inspected for physical defects – a missing screw or a scratched case – and, if it's okay, boxed, wrapped and palletted.

Production line staff are recruited locally, usually school-leavers with few GCSEs but an interest in technology. They are all payrolled, not contractors. Training takes about a month and it is expected that if they stay 12 months they will move to testing. The brightest will go on to the repair workshops and the articulate will be recruited from the workshops for technical support. Some of the machines they support they will have personally built.

Maintaining standards

Production has capacity for 500 machines a day (200 desktops and 300 notebooks) without requiring Saturday shifts. But Hi-Grade is expanding into European sales. There's planning permission to build a new warehouse behind the current industrial unit but no plan to move for two years.

Production managers are rightly proud of their quality assurance standards. They are recruited to be house-proud pedants who get agitated when the reject rate rises a tenth of a percentage point. They'll stand over a closed box and tell you the PC inside is perfect. They're not lying: they know it is; their job depends on it.

"So how do dead-on-arrivals occur?" The production manager's eyes bulge, his teeth grind. This is the unanswerable question. Somewhere between the carton closing and the carton opening, the bad fairies put a hex on two percent of every manufacturer's PCs. That's why we have customer services.

Hear my voice

Customer support at Hi-Grade is run by technical and services director Kevin Khadem, the most open person in his position I have ever met.

Companies don't usually talk honestly to journalists about customer support records, but Khadem divulged the call rates and how they've deteriorated since the company started supplying Advent notebooks to DSG, capturing a whole new set of first-time customers with high expectations and contributing to Hi-Grade's doubling of turnover in two years.

When I spoke to him, Khadem had the figures for June. In 21 working days, the support phones received 14,377 calls, of which 10,949 were answered. That means 3,428 people (23 percent) gave up.

Well aware this is unacceptable, Khadem installed a new £50,000 telephone system in August. He aims to push unanswered calls down to less than 15 percent; three weeks after the installation, the abandon call rate was running at 18 percent.

If you can't get through, you can leave a message, and Khadem says you will be called back or emailed in two hours.

It's a fix

The most common type of call is from customers asking for a progress report on PCs that have been returned to Hi-Grade for repair. True technical support calls numbered 8,592 in June, of which 56 concerned PCs dead on arrival – anything which fails within five days of delivery, hardware or software. In that month 1,028 systems were repaired in the workshop, of which 650 were Advent notebooks.

Turnaround time for returned units is another contentious issue. It should be three days, but only 63 percent of desktops and 46 percent of notebooks achieved that target in June.

Khadem considers complaints a top priority. He replies to all written complaints in 48 hours and the quality control manager decides whether complaints are justified or unjustified. Last June, Khadem

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received 18 complaints, 11 justified, and four compliments from people who wrote to say thank you for a job well done.

June is a quiet month compared with the huge spikes of customer service activity in January and February following the pre- and post-Christmas retail binge.

There are 25 people working full time on the customer support phones. The majority (70 percent) answer technical queries while the remainder provide general advice. There are 18 people working in the repair workshops.

Notebooks have onsite warranties, but they are straight swaps – you get a new machine for your broken one. DSG outlets are contracted to return all faulty Advent notebooks to Hi-Grade for repair, including hard disk wiping. Any used notebooks 'accidentally' sold as new are the result of store managers breaking the rules.

Onsite repairs of desktop units are performed by a team of engineers, three in London, two in Scotland and two in Southampton. Hi-Grade also has a sister company, Microlink, which hires contract engineers to cover the rest of the country.

If you email Hi-Grade, the first response you get is automated, then the enquiry is picked up by the two Scottish engineers who are less busy with onsite calls.

Backing a winner

Hi-Grade is quoted on the Cypriot bourse. Thirty percent of its shares are publicly owned, two percent of those belonging to Taiwanese notebook maker Asus. The joint managing directors and founders, Ori Yiassoumis and James Siabi, own 28 percent each and 14 percent belongs to their families.



Yiassoumis and Siabi are long-standing veterans of the PC market. They met at Westminster University where they were studying computer science. Yiassoumis was selling Apricot PCs to fund a research post when he teamed up with Siabi to develop and sell their own software. Soon they were building machines and selling and supporting them personally.

"Suddenly we found we had 40 grand in the current account and realised it was serious," says Yiassoumis. "In retrospect we could have done more in the early days." Not that they've been laggards: Hi-Grade turned over £53m in 2000.

The pair still retain their enthusiasm for technology and remain involved in the business. Siabi can occasionally be heard on the phone handling customer disputes.

Overall impression

Hi-Grade does what it says on the tin. The company isn't glamorous but it is solid, owns its own buildings and, barring an earthquake in Barking or similarly unlikely disaster, will be around longer than your warranty. The directors have a long history in and enthusiasm for the PC business. Kevin Khadem is the least jaded customer support manager I have ever encountered. He knows customer service could be better and is honest about it. That counts for a lot.

Furthermore, the staff are fuelled by truly majestic bacon and egg rolls served up by a local East End catering team. If Phil Mitchell ever came a-blagging he'd get no further than the onsite canteen. ■

Hi-Grade at a glance

- Brands **Hi-Grade, Atlas, Advent (PC World)**
- Founded **1986**
- Turnover **£53m (fy2000)**
- Ownership **shares quoted on the Cyprus bourse; 70 percent owned by founders and family; two percent by supplier; 28 percent public.**
- Premises **large industrial unit in Barking houses manufacturing, support and sales, with output of 100 desktops and 150 notebooks a day.**
- Status **growing**
- Address **Hi-Grade House, 43 Thames Road, Barking, Essex IG11 0HQ**
- Telephone **020 8532 6100**
- Website **www.hi-grade.com**