

Keeping *your image* fresh

Specialist distributor, Alloys, has been operating in Australia for 27 years and has built a significant reputation in the printing and imaging space. NADIA CAMERON recently sat down with the Alloys executive team – Michael Guttman (executive director), Paul Harman (CEO) and Dave Guttman (director) – to talk about its new image, how to cope in a tougher economic climate, and some key reflections.

What is Alloys' primary focus today?

Paul Harman (PH): There are two aspects to that. The first is the non-traditional distributor part, which is about flexibility, relationships and knowledge. That's how we encompass our business. Then our focus moving to a more product-orientation is around six specialisations: Printing and imaging; consumables; document management; IP security; home automation and entertainment; and Alloys Assist, which is our reseller finance. Those six divisions get the non-traditional approach. You may hear us talk about it a lot, but it's important to us. We aim to make the customer experience different from everyone else, by trying to deliver what they're asking us to deliver. Alloys, for a long time, didn't celebrate its differences in the market place. The fact that we're committed to doing training, providing finance, have the showroom – we just didn't tell anyone about the things our customers and vendors enjoyed. When we completed the rebranding last year, we started to acknowledge those.

How has your business fared in 2009?

PH: There clearly has been a downturn in the market place – I don't think anyone at the coalface questions that. Having said that, we measure our business in calendar years and 2008 was our biggest year ever. So far in 2009, we have increased on that again. That has come from a lot of investment into the business. Our new building, resource centre and showroom, the website and the increased offerings in the finance area, are really giving us a chance to spread. We have increased our wallet share with the customers we were dealing with, and the six divisions have given us the chance to make sure we are fighting the battle on different fields.

Has your strategy changed in light of what's going on with the economy?

PH: We have a long-term strategy. Your strategy has to hold no matter what the economic conditions. Given the difficult climate, we have emphasised it even more. We work hard to get our resellers into the showroom and get them to utilise the services we have because it's important to them. They need to find incremental sources of opportunity. As a distributor, we have to provide them an opportunity to do it.

What are the main cornerstones of that approach?

Dave Guttman (DG): The program that has had the most impact has been the showroom. Our indicator of success is if we do 1000 business demonstrations in the showroom annually. Last quarter we did 246, so we're over 99 per cent on target. Why that is important is that we give our clients an opportunity to learn about the technology, as well as use our product expertise to upsell. When you're upselling the solution, the price becomes less relevant, so we can enhance the reseller's margin and revenue streams. That then means it becomes more about providing a solution to their customers, which makes them happy because they have happier clients and better revenue streams. One of the things we're all cognisant of in this economic climate, although the initiative was put in well before, is reseller finance. Part of our Alloys Assist program is about assisting our clients protect their clients through finance, as a mechanism. It's about being able to sell in a different way to other distributors, and of course, it has a major impact on our client's cash flow. In a credit squeeze, cash flow is king.

How about in terms of technology areas – are you building those out further?

DG: In our business, we define ourselves with what we say no to as equally as what we say yes to. The only time we look at bringing on partnerships is if we see a strategic alignment in our business values, or if there was a hole in our offering.

PH: We don't aim to be a supermarket distributor – we don't want to stack things on the shelves. There is always room to expand within or outside our six divisions. But right now, the cornerstone is making sure each one of those divisions has strong enough foundations to operate independently. The two that are very important to us going forward is the IP surveillance and security, and home automation and entertainment. We see convergence of technologies at the consumer electronics face, and even in the commercial space, as a real growth sector. The business has put long-running investment into making sure we have the right technologies in place that provide our customers with the solution and cost benefits.

Michael Guttman (MG): Just to enlarge on that, I noticed that JB Hi-Fi, in the consumer electronics division, increased sales by 48 per cent in the year to June 30. This is in the 'recession'. I think home entertainment and automation is really at the forefront. What we have also done is corralled software and various bits and pieces we have intellectual rights to into offerings. Going forward, our customers can rest assured that we'll have the best-of-breed and the ability to go into a controlled market environment.

The digital home has been the subject of conversation for a while now and interest has gone through peaks and troughs.

PH: Home automation itself is a terrible term that many people don't understand. As a business, we've

Company milestones

HISTORY

1982 - Alloys is established to provide Alloy metals to the mining industry.	1992 - Alloys begins distributing Epson. The Alloys Print and Imaging division is born.	2000 - The company launches its Network Video and Security division.	March 2005 – Alloys unveils its digital home automation concept, the MediaHub.	2005 - The distributor unveils Alloys Assist to provide resellers with financing options.
2006 - 1 million orders are processed.	October 2008 – Alloys gives its brand a facelift with the new moniker "Alloys – the non-traditional distributor". The company reports 37 per cent year-on-year revenue growth.	January 2009 – Alloys opens new premises with business centre and showroom facilities in Melbourne, Victoria.	April 2009 – The new website is launched featuring ordering and search functionality.	June 2009 – Alloys celebrates its 15-year partnership with Fuji-Xerox.



From left: Paul Harman, Michael Guttman and Dave Guttman

been involved in this for four-and-a-half years. One of the issues around it is who sells the product. As convergence continues to take over the market place, the channel that sells home automation continues to move. Initially, it was sold by electrical contractors, then it moved through to electrical integrators and now it's shifting again to the pro-AV areas. I think you'll find the IT channel will continue to get involved. The IT channel got very excited about it, particularly with Microsoft and Intel getting involved, and as their involvement dropped away, it shifted. You'll see it will probably shift back from electrical closer to the middle area again.

How has Alloys' reseller mix changed as you entered these emerging areas?

MG: There hasn't been so much of a change as an enlargement. As we have added extra divisions, we have enlarged our database. Some of the resellers are quite specific.

PH: The spread of partners we have does change and the new markets we've gone into means you have to go out and re-educate those resellers about what the Alloys offering is. In the print and imaging space, where we have been renowned for such a long time, people understand our value proposition. As we move into different spheres, we have had to start again. Some of the growth we got last year was getting more width with those partners.

Alloys has been a specialist distributor in the Australian market since 1992. Has the role of specialist distributors changed in that time?

MG: Yes, I see that concentration of time-and-place distribution, which has its place and is based on volume and processing larger amounts of deals. In specialist, we have invested both in products and in people to be able to assist our customers. Our whole focus has always been on customers and having enduring relationships with staff and

vendors. I'm a long-term strategic person, and as Dave and Paul said, strategic is all about what you say no to. You can be constantly bombarded with offers, but unless it's part of a comprehensive strategy, we don't want to go down that path. We have many opportunities we want to maximise, and we want to do things well. The only way to do that is with the right people, products and education. Otherwise, if we don't do this, we have no place in the market.

PH: The role of a distributor is constantly changing. We believe everyone right now needs to be a specialist distributor, no matter what their size. If you look at the rate of change in technology over the last 20 years, the pace of change is very fast. A manufacturer's ability to channel that product hasn't been able to keep up at the same rate. They are not investing in as much resourcing for sales, marketing and logistics. They have to put all their resources into getting the right product to market at the right time. So the role of a distributor becomes important, particularly in Australia. Given that change in investment from the manufacturers, the role a distributor plays is not just about the post office and bank requirements, it's the other things you do to make sure the configuration and sales are right, and that the right types of relationships with the customers are being made. We have this distinction in the market now with the traditional, volume distributors and the specialist, non-traditional distributors. I think you'll see a merging of these requirements.

MG: It's also about the culture. Look at when Toyota wanted to get into the luxury car market: They separated out Lexus. The whole philosophy behind Toyota was to get as many cars as possible through that factory at the cheapest price. With Lexus, they couldn't do that because the more discerning buyer had other requirements – different colours or

combinations of features. They had to absolutely have a separate division.

DG: We are not interested in speeds and feeds, we're interested in business outcomes and that our resellers can share in that whole-of-cycle revenue.

What has been Alloys' biggest achievement?

MG: I don't look at biggest achievements, I look at continuous, rolling goals. I look to continually challenging myself and the management team to be best-of-breed, and to stay there. I think the biggest achievement is to keep taking on that challenge. Once you stop growing, it's atrophy.

Has the competition around you changed?

MG: I wouldn't say so. The names have changed, but there are certain elements of selling and service, which are almost in your DNA. Looking after your suppliers and customers are pillars you build your business on. There has been some consolidation, and people that didn't have value to supply to the channel have gone by the wayside.

What initiatives are you now working on?

PH: We have just come through a big program of investment including the new premises and the website. We are putting more investment into our NSW sales team and you will see an expansion of our capabilities up there and the resource centre start to mirror the one here [in Melbourne]. The next thing is something distributors have to do every day and every month, which is constantly updating what you do, from back office to logistics to sales and marketing – we want to be better at it. We have some aggressive objectives across all the businesses. We measure across four quadrants: Commercial objectives, customer objectives, our vendor and our staff. If one of those is off, your business doesn't perform on all cylinders. So, over the next year, what we are trying to get is efficiency. That is the constant battle. ■