

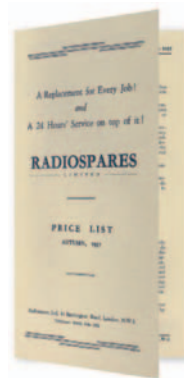


## Ian Mason

Ian Mason, 46, joined Electrocomponents in February 1995 as director of business development. He was appointed to the Board of Directors in July 2000 as chief operating officer and was appointed group chief executive in July 2001. Previously, he worked for the Boston Consulting Group.

# Coming back into focus

Graham Pitcher talks with RS Components' Ian Mason about its plans to concentrate more closely on semiconductors.



Despite being in the component distribution business for more than 70 years, RS Components is still on a learning curve. Founded in 1937 as Radiospares, the company earned its living and its reputation on the back of supplying electronic components to UK companies.

But it's fair to say the company has lost its way somewhat over the last few years; an observation that Ian Mason, group chief executive of Electrocomponents, the parent of RS Components, accepts. "The company diversified into maintenance and it was a very successful strategy. We added new products which electronics people would buy, as well as new customers. We lost a bit of focus with that push into maintenance. We're now pushing back into electronics with a bigger focus."

The reason? "Electronics is what we know and love," Mason claimed.

But where RS was once focused entirely on the UK, the focus is now firmly overseas. "RS is all about international growth," said Mason. "We are active in 10 markets and have had a presence in them for 10 years. We also have the warehouse infrastructure, the ecommerce infrastructure and a very strong presence in Asia and Europe."

Strangely enough, it wasn't until 1990 that RS dipped its toes in the international market. "The model existed in the UK, with Farnell and RS," Mason said, "but we wondered whether the model would work overseas. It worked in every market we addressed; to the point where 65% of our business now comes from outside of the UK."

He gave some examples. "We are now number three in the US, behind obvious market leader Digi-Key. We have had a joint venture in India for 13 years. We have 1.6million electronics customers around the world and they generate 50% of RS' revenues."

Even so, RS realises it needs to refocus its attention. "We diversified into maintenance," Mason noted. "We added products that existing electronics customers would buy and which would attract new customers. But we lost a bit of focus with that push into maintenance."

Within the electronics sector, electromechanical products were getting more attention; for example, RS is now the largest European distributor for Tyco connectors, with a 60% market share. But when engineers start their new designs, they are looking to base them around semiconductors offering low power, high speed and a range of features.

When RS looked at its portfolio, it realised it had fallen behind. Taking advantage of the downturn in the economy, RS has invested in semiconductors, bringing 40 new people into the electronics team, all with a semiconductor focus. And there has been a £9m investment in inventory.

"It's not about RS getting into electronics," Mason asserted, "it's about refocusing. We're hiring people, putting in place resources and we're happy having electronics and maintenance businesses."

But why should designers buy from a catalogue or high service distributor? "Electronics designers are found all over the place," said Mason. "Some years ago, you wouldn't have seen electronics in a JCB, for example. But now it's in there. How do you reach 100,000 designers in China? Designers are hard to reach and manufacturers know this; they now go 'big game hunting'. The natural place for them to reach smaller companies is through a catalogue."

Currently, RS offers 450,000 products. "All will be in stock," Mason

claimed. "We don't hope that, when a customer phones, a product might be in stock. It's there and it will be with them the next day."

Today, the average order taken by RS is worth £100 and covers four items. "One thing of which you can be sure," Mason added, "is that what's ordered today won't be ordered tomorrow."

Catalogue – or high service – distribution is growing and web based transactions now account for 41% of RS' revenues. "We can afford to put in place the

infrastructure needed to support this," he continued. "But you can't if you are sandwiched between high service and high volume distribution. These two sectors are squeezing the middle ground all the time. Where RS used to sell in volumes of one or five or 10, we now sell tubes, reels and product packs. We're looking at small batch production orders, but we don't do volume."

Now RS is refocusing on semiconductors, how will it support its customers? "Electronics designers are our key customers," said Mason. "They want the latest products and they want them delivered quickly. If the product doesn't get to the bench, you're wasting your time. And they are e-enabled; they want to do things on the web because they're web naturals."

RS has central and regional support teams made up of qualified technical product managers and design engineers. Mason added: "We're fine tuning the online experience for design engineers. We're working with third parties like Google and Silicon Experts to make customer searches more relevant and quicker so information is easy to access and navigate."

Looking to have the largest range of semiconductors of any distributor, RS has added 50,000 new products this year to its portfolio, including 1100 from Microchip.

So where does Mason see RS being in 10 years? "Electronic design has doubled its proportion of the world's GDP in the last 10 years and we believe it will continue to grow. Our target is to increase international to 70% of our business and I think we'll be well past that figure by then."

*We're now pushing back into electronics with a bigger focus [because] electronics is what we know and love."*