Brand new strategy

When chief executive Andrew Dick (pictured below) unveiled a new 600 Group strategy for growth, Andrew Allcock was there. He reveals some of the surprising details

Colchester and Harrison lathes are now combined under a single global brand after 200 years as distinct and separate marques.

This move, announced officially at the beginning of October, is part of a major strategy change for the Group, which claims to be the largest manufacturer of machine tools in the UK and one of Europe's largest volume lathe manufacturers.

Described as medium level CNC technology, the Colchester-Harrison marque not only takes in the Colchester CNC machines (Tornado, Multiturn and Combi) and the Harrison Alpha range, but also includes the Richmond range of vertical machining centres. "This is almost the dream scenario – Harrison and Colchester CNC lathes and machining centres together. This will allow us to better compete and stand up and be counted alongside the competition in this busy area. Before we had a fragmented offering with multiple brands. We have the widest range of flatbed CNC lathes in the world; it is an area which 600 Group virtually dominates," said group marketing director, Dr Stephen LeBeau.

The Colchester-Harrison range is a CNC-only brand; the Colchester and Harrison conventional manual machines remain but will retain their individual brand names. This will not affect the Colchester-Harrison rebranding exercise, however. "They [the manual machines] are historically part of the [Group's] product range and remain so; they will be sold and supported, but they will not be actively marketed," said Mr Dick.

The new combined CNC machine range will be sold through the existing Technical Centre channels in the UK – RK International in the South, 600 Centre, Shepshed in the Midlands, and through an expanded Heckmondwike facility that will now fall under the management of 600 Centre. The same channels will support the manual Colchester and Harrison machine sales in the UK.

Heckmondwike-based 600 Lathes itself is to enhance its customer service and applications engineering offering in support of the Colchester-Harrison distributors.

Colchester-Harrison is part of one of three new 600 Group divisions – the 600 Machine Tool Division. Also falling within this division is a new-to-the-UK brand of Clausing. This range got its first UK outing at MACH this year with the introduction of a series of manual lathes. Clausing brand "value machines" will include both manual and simple CNC technology, taking in, first, lathes, then mills, drills and saws. Clausing is a name well known in the US, since the Clausing Company is the 600 Group's US machine tool distributor.

Another new global brand, although a name used purely internally, is 600 Solutions which provides engineered solutions based on factored products. This service is delivered by 600 Centre in the UK and potential for greater growth is seen here. But the Colchester-Harrison brand will be the centrepiece of the machine tool business, with heavy investment in product development, branding and marketing.

The other two divisions are 600 Electrox Laser Division and 600 Technologies Division. The Electrox Division focuses on the development and sale (direct and indirect) of laser scribing technology. It has the potential to become "one of the largest parts of the business," Mr Dick offered. The firm is currently growing at 35-40 per cent per annum in volume terms in a global market growing at 8 per cent in value/annum, but represents just 10-12 per cent of the Group's business.

600 Technologies Division includes bearing producer Gamet and workholding specialist Pratt Burnerd and Crawford Collets. These will continue to operate as they do now, supporting machine tool activities but also winning third-party customers.

But why the change? The chief executive explained that the 600 Group is "understated" and this "far reaching" new strategy involving "practical changes" is intended to update the group and change the way it is perceived. It is also intended that it will improve returns for investors, who have been sustained in recent years not by strong sales growth but by the Group's strong asset base, Mr Dick revealed.

DOUBLE -DIGIT GROWTH

Independent market analysts are predicting double digit sales growth for the Group in the current financial year [ending 31 March 2007] and "we are comfortable with that forecast and endorse it," he added. This level of growth has not been achieved by the Group in some 10 to 12 years. Sales for 2005/2006 stood at £71 million with a pre-tax loss of £1.7 million. Turnover is forecast at £77 million for this year and £88 million for 2007/2008. Profits are forecast as £2 million and £3.1 million, respectively (*www.digitallook.com*).

At the beginning of 2006, Mr Dick explained that 600 Group had good products, strong brands, a strong balance sheet, and a determined and dedicated group of employees, but it also had "some fundamental issues to face going forwards". One of these is that although a UK company of significant size, on an international level it is "relatively small", and had too many brands. "Trying to invest and be successful across such a huge number of brands is clearly difficult, so we needed to get some focus." From an investor viewpoint, this has bred confusion – a lot of companies, a lot of geographies and a lot of different activities – machining small components to selling major multi-million pound machining solutions through to general engineering products.

"It is also fair to say that traditionally we have been a manufacturing company, with Colchester, Harrison, Gamet, Pratt

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Burnerd and so on built on that strength. It wasn't so long ago that if you built good products you expected your distribution to take them and get on with selling them. But in today's world, every one of our distributors has a choice of products, so just being a good manufacturer and having a good product on the shelf is no longer enough."

As an aside on manufacturing, a move to a new location for lathe assembly is under consideration, but it will remain in the Heckmondwike area. "The factory as it is currently constituted is not appropriate to our long term needs. But it is absolutely vital that we continue with some of the final machining processes and with final assembly [for CNC machines], but we are not in the business of machining all the individual bits and pieces.

Returning to the strategy, Mr Dick explains: "What we really have to do is start thinking about what our customers need, but before that we need to decide which customers we are going to service – we can't be all things to all people. We must decide, particularly within the machine tool industry, where we want to operate, how, and then, to be successful, figure out what our customers want. There is going to be a fundamental shift towards a much more customer-focused approach."

The Group's position at the beginning of this year was described as "lacking corporate direction", and prompted a six-month company review involving all 600 Group management teams, stresses Mr Dick. This included a fundamental analysis to identify growth markets and a financial analysis to see which activities delivered the best returns. Focused interviews were undertaken with various external groups such as investors, customers, suppliers and distributors around the world. This highlighted some options which were discussed and refined at internal management workshops, with the board of directors ultimately formulating the new strategy.

And the official strategy statement is: "To market a focused portfolio of branded machine tools, laser markers and technology solutions which promise quality, dependability and service at their respective price positions through a customer-focused organisation".

EXPLOIT EXISTING STRENGTH

The Group's main market focus is to be in the mature Western economies and in the growing central and eastern European economies. "That's where we are already implanted and where we feel we can make the biggest impact." The China market will be serviced, but most likely through branded products made under licence, Mr Dick explained. 600 Group already has a manufacturing relationship with China's Dalian Machine Tools from where it sources manual lathes, for example. "Before we really have shown very significant growth and expanded in our existing markets, we would be crazy to invest a massive amount of money trying build a position in China. But China is hugely important to us because it is going to be a source of product – particularly for the Clausing brand, while a new Electrox laser marker is seen as ideal for the China market, so there will be some selected selling there." For each of the three major regions targeted, the Americas, UK and Europe, the Group has appointed or will appoint a new general manager to strengthen sales.

Growing the business is heavily linked to better brand support and improved distribution, no more so than with Electrox, Mr Dick highlights. There are two or three recognised global players in the laser market, and while Electrox technology is leading edge, the setting up of global distribution and service is key in allowing Electrox to win business from global customers. Already, though, Johnson Matthey has chosen Electrox as its preferred supplier globally for marking its catalytic converters, while American healthcare product maker Johnson & Johnson is a customer in and outside the UK with this success rolling out globally too.

It is a similar situation for 600 Solutions; for while this added value offering based on high technology third-party machinery is well entrenched in the UK via 600 Centre, this is not the case elsewhere in the world through the equivalent organisations. And neither are the same machines offered through each equivalent operation, although with a more homogenous 600 Solutions activity around the globe, there may be more scope to bring the offered ranges into line, Mr Dick suggests.

But even where the brand is strong, it may not have been well defended or supported. Clausing in the US is a strong brand with high recognition, but has not been promoted actively enough to distributors and end users. That is to change, while Clausing Europe is being established in the UK to drive Clausing brand product sales in the UK and Europe – it is located within Gamet's Colchester site and will establish/support a distributor network. Similar activities are being undertaken elsewhere in the world.

Mr Dick, who took over as 600 Group chief executive at the beginning of the year, has certainly kicked his tenure off with a bold plan. The bringing together of the Harrison and Colchester brands will stand out as the major feature to a UK audience, but the company plays on a global stage and success outside the home market is pivotal in the Group's renewal of fortunes, so the new strategy is clearly broader than just this single headline-grabbing brand merger.□

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