

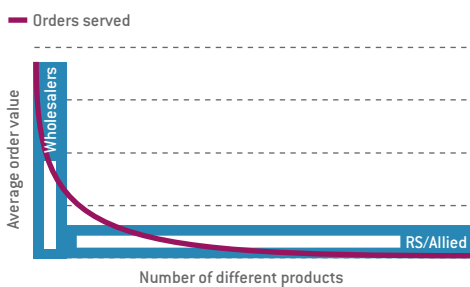
## Our business and how we operate

Electrocomponents distributes a wide range of products, including electrical, electronic, industrial, health and safety and information technology components and equipment to over 1.5 million customers worldwide, operating through its RS and Allied subsidiaries. RS operates in 24 countries and exports to a further 160 worldwide, while Allied covers the North American market. The principal sales methods are a paper catalogue, CD-Rom, and Internet trading in all markets >>>

### High service – the Electrocomponents difference

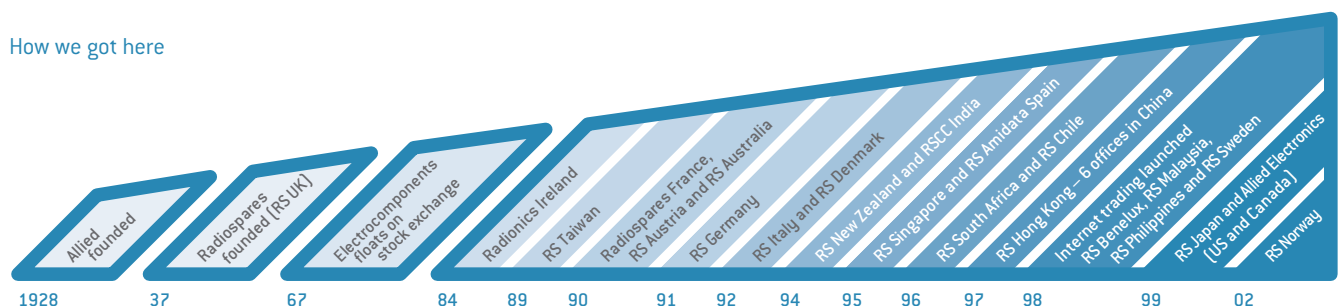
Our high level of service distinguishes us from other distributors and wholesalers. The orders we serve have a low average value of about £80 across the RS businesses. Speed, immediate availability, convenience and reliability are the determining factors in their choice of supplier, not price. Due to our exceptional service we are able to achieve gross margins of about 50% which in turn provides finance for additional services and for our development. This is in contrast to the large order values and lower gross margins of high-volume distributors, who do not offer our level of service.

### The Electrocomponents competitive position



All of our services are designed to save businesses money on their small order buying. These include off-site stock management; free software which makes internet buying safe and easy for managers and end-users; and extensive technical support.

### How we got here



### Barriers to entry

Because we serve users whose orders are small, we have a large number of customers as well as a wide range of products, all of which must be available immediately.

Our business must support tens of thousands of orders per day with hundreds of thousands of items in stock. To do this we have established excellent, responsive information systems, comprehensive catalogue management techniques, and have in-depth fulfilment know-how.

Over many years we have grown an extensive network of close supplier relationships. Moreover, our RS and Allied brands are trusted by customers because of their excellent service, proven over many decades.

All this has required considerable investment which we have made consistently throughout our 65 year history. Would-be new entrants face considerable barriers because of the front-end investment needed to meet service level requirements

Barriers to entry are firmly established in the UK, and we are building them rapidly in all our markets.

## How we do it

**Local fulfilment, global support**

The Group operates a matrix structure.

**Local Operating Companies:**

Customers are served from local companies based in their own market. Most companies have their own warehouse for fast, reliable fulfilment of the most popular products. They all draw on the Group Processes for product buying and selection, catalogue management, information services and supply chain support.

**Where we are****RS companies**

|                     |                 |
|---------------------|-----------------|
| Australia           | Japan           |
| Austria             | Malaysia        |
| Belgium             | The Netherlands |
| Chile               | New Zealand     |
| China               | Norway          |
| Denmark             | Philippines     |
| France              | Singapore       |
| Germany             | South Africa    |
| Hong Kong           | Spain           |
| India               | Sweden          |
| Republic of Ireland | Taiwan          |
| Italy               | United Kingdom  |

**Allied Electronics**

Canada  
United States of America

Additionally, we export to distributors and directly to over 160 countries.

**Group Processes**

**Product Management:** identifies and selects products to be sold by the Group and purchases them in the most effective manner.

**Supply Chain:** is responsible for the logistics of product supply, including management of all stocks. The team works to maximise stockholding efficiencies and the local Operating Companies' ability to meet customer order demand.

**Media Publishing:** provides the central expertise for design, production and effectiveness of all media.

**e-Commerce:** is responsible for developing and co-ordinating business-to-business e-Commerce across the Group.

**Facilities:** provides the expertise to develop our warehousing capacity and properties internationally. This team, together with the Supply Chain, provides the integrated logistics requirement for the Group.

**Information Systems:** is responsible for the integrity of our systems and for all hardware, software and systems development. An important responsibility is to monitor and develop the commonality of our databases and assess systems innovation.

**Human Resources:** is responsible for supporting the recruitment, development, motivation and retention of senior employees, in order to ensure the availability of skills to meet business needs. There is a central core team which works with local expertise.

**Finance:** provides guidance and support for forecasting and measuring business performance. Individuals form part of Operating Company and Process management teams, whilst a central resource manages external reporting, tax, treasury and operational audit.

**Legal and Company Secretarial:** provides expertise and control to ensure conformance to international and local laws and regulations.