



## Our strategy: The Prize

Our goal is simple: to lead the high service segment of every distribution market in which we operate.

To achieve this we have developed strategies in four key areas:

- Products and services;
- Electronic trading;
- Market development; and
- Groupwide Processes.

### Recent actions

- 'Do great things' – our profile in the UK is being raised by the launch of a marketing campaign including media advertising, strategically placed billboards and the search for Britain's 'Hero at Work' 2004
- Users of our PurchasingManager™ application continue to grow strongly. There are now 800 users, an increase of 433% over last year
- The introduction of the same day despatch offer in Shanghai means that customers in that area are able to benefit from a dramatically improved level of service

Our opportunity for profitable growth is huge. The realisation of this potential is known internally as The Prize. In order to achieve this we focus on four key areas:

**1. Developing new products and services**

The experience gained from creating the high service distribution business in the UK is embedded in our strategy. We are also taking our best practices from our other businesses to continually develop and extend the range of services and products we offer. By diversifying into new product areas we add new customers and by deepening our knowledge of customer needs we are able to extend our services and increase customer loyalty.

**2. Opportunities in e-Commerce**

We see e-Commerce as a means of offering customers ever higher service levels. Business-to-business Internet trading is a major focus for us: our initiatives include providing trading websites in all our markets, e-Purchasing capabilities and establishing marketing agreements with recognised portals. PurchasingManager™ is a recently established internally developed service, free to larger account customers, which combines ease of purchasing for end users with tight controls for their managers. Because of their confidence in our brands, content, and fulfilment record, customers are using this channel in rapidly growing numbers.

**3. Developing our markets worldwide**

The proven effectiveness of our business model has opened up many opportunities for high service distribution in new geographical markets. By sharing best practice we are confident that our businesses can reach the same size, relative to their local economies, as RS has achieved in the UK and with similar levels of profitability. Considerable opportunity remains in the UK itself, though the market is more developed.

**UK:** The RS UK business is generating growth by further development of its customer base. We estimate that this penetration is low even in the manufacturing sector and very low in services.

**Continental Europe:** The combined economies of France, Germany, Italy and the smaller countries present us with an opportunity several times larger than the UK, so our strategy is to view Europe as a market with many common products and services.

**North America:** We gained a leading position in this well developed market in 1999 through the acquisition of Allied Electronics. Electrocomponents has invested to improve the levels of service offered by Allied, while other initiatives are under way to mutually share the experiences across businesses. In this market we see opportunities for growth through market consolidation as we displace smaller competitors, and by some product expansion.

**Japan:** Before we rolled out our RS model into Japan in 1999, the concept of small order high service distribution did not exist. Customers are proving very receptive, which confirms our view that this market has excellent growth potential. RS has no significant competitors in Japan.

**Asia:** We are creating the high service distribution market across Asia with Singapore as our regional hub. The launch of our Same Day Offer in Shanghai has enhanced our Chinese offer.

**4. Groupwide Processes**

By leveraging off our infrastructure and common processes we have been able to expand globally and accelerate the development of all our businesses. We can enter new markets with unmatched levels of service and confidence and at much lower cost than our competitors, and we can disseminate best practice around the Group quickly.



A press advertisement from RS UK's high profile 'Do great things' marketing programme.

'Do great things' is about our customers and about our role in helping them to do a great job by providing world class services, free technical help and a great product range. Using RS saves our customers time and money.

- The largest Information Systems projects remain the Europe and Asia Enterprise Business System (EBS) projects. EBS was implemented in South Asia in March 2003 followed by France in June 2003 and Australasia in October 2003

