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BUSINESS CLUB

Royal Mail partner Barcode Warehouse is hunting for new buyers for its portable devices, writes **James Hurley**

Mobilising resources in the handheld revolution

CASE STUDY: SECTOR GROWTH

WHEN Ross Lee tells people that UK businesses are on the verge of a mobile revolution, he must have got used to them looking at him blankly; it doesn't sound like the most prescient of statements.

Lee, founder of Barcode Warehouse, isn't talking about the smartphones that were adopted by consumers and businesses of all descriptions some time ago, however.

He believes the general acceptance of smartphones by businesses and employees could precede wider adoption of the more bulky "hand-held computers" currently favoured by parcel couriers.

"Couriers have used these for the last 10 years. When other businesses start widely embracing them, the market will be huge," he believes. His theory might sound incongruous, but he's not alone in his confidence: Gartner predicts the market for hand-held computers in UK and Europe could be worth \$1.5bn (£940m) by the end of the year. Lee wants Barcode Warehouse to be ready to exploit the opportunity.

"Anyone who has a workforce out on the road, such as utilities, field service engineers or the police, can get their staff working smarter because they are in touch with the business," he says.

"Have I got this wrong? I don't think so. Motorola are investing millions in this technology. I'll cling to their shirt flaps."

To do so, he might have to effect a culture change at the business he established in 1994

after being made redundant from the Central Electricity Generating Board.

The company started life as a simple label supplier, financed with a £60,000 bank loan secured against Lee's house. Since then, its growth has been self-financed as it has expanded into supplying labels with bar codes, established an ecommerce division selling bar-coding and logistics equipment and added a "managed service" for its clients using hand-held computers. "We've never gone cap in hand to the bank. Do I continue organically, adding £2m or £3m a year, or do I leverage the business and go to the bank and ask for £5m and do it all in a year?"

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We've got the most successful UK website in this market, so why don't we just keep telling our story?

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He already seems to know the answer: "We've had no real debt, no worries and we're in charge of our own destiny. But I'm a gambler. You have to be, or you'd never do anything. You don't put the deeds of your house up if you're not willing to take a risk. I believe we could scale the business quicker and grab a space that nobody's doing as well as we are."

The company currently has 50,000 devices on support, but 35,000 are with a single customer, Royal Mail.



DOUG MARKEPAGE ONE

Opportunity at hand: Ross Lee believes the time is right to exploit a market that he has already secured a foothold in

Lee admits the company has "lived, eaten and slept in the postal industry over the last 10 years" and now needs to start targeting other sectors.

But why would companies opt for cumbersome-looking mobile computers over smartphones?

"People always ask me why someone wouldn't just use a BlackBerry," Lee admits. His first response is the ruggedness of the devices.

"These allow two-or-three-metre drop to concrete," he says. "Workers need to be able to sling it on their dashboard."

Customers also welcome a clearer distinction between work and home than a traditional mobile provides: "You wouldn't go to the pub and say, 'Look what I've got.'" The large, sturdy screens, meanwhile, allow engineers to download and view PDFs as they work, while a constant data stream provides a range of information employers could potentially use to track the location, performance and efficiency of workers.

Barcode Warehouse currently simply passes

the data to its clients, but is considering establishing a consultancy that would help them interpret it.

"It's logical – talking to your workforce, knowing where they are, what they're doing, when they're finished, being able to plan and re-route efficiently.

"I'm sold on what we're doing and what we've got the support from the manufacturers, now we need the pull from the marketplace."

The service is currently a five-year contract providing "everything from the hardware and adding the software to a 24/7 helpdesk, technical support and repair, all from one supplier". "It's a 'one throat to choke' service; if anything goes wrong, it's our fault," Ross says.

He doesn't want to constrain himself by targeting a particular sector, but concedes he would need advice on marketing the service to a general business audience. "Manufacturers like to ask, 'Where are your verticals?' I have no idea where the next deal is coming from but we've got the most successful UK

website in this market so why don't we just keep telling the story?

"If we're not attacking any particular vertical, how do we get across to this breadth of businesses in the UK this could appeal to?"

The company has a budget of £500,000 a year for marketing, a sum supplemented with marketing support from Psion, Motorola, Honeywell and Internec, the manufacturers it works with.

Web sales represented half of last year's £20m turnover;

ecommerce is the company's fastest growing division.

However, 62-year-old Ross expects the managed service division, which had sales of £7m last year, to be the decisive factor in his plan to double sales to £40m within four years, since it offers the stability and predictable cash flow that come with large five-year contracts.

"The web is great for a run rate but longer-term contracts give you cash flow and confidence to invest."

Expansion capital would be used to build a "state of the art"

call centre – the land to build it on has already been purchased for £1.5m – to support an enlarged managed service division, as well as an increased marketing budget to target new sectors.

Lee says he admires Apple's Steve Jobs for "not listening to the market – he invents things, then people want them", and James Dyson for creating demand for a visionary product.

But he makes it clear he has no pretensions of emulating either – he simply thinks the time is right to exploit a

At a glance

Company: Barcode Warehouse
Based: Newark, Nottinghamshire
Turnover: £20m
Employees: 120
Challenge: Growing a division by marketing it to new sectors

growing market he's already got a foothold in.

"There's no point in me saying I want to be a James Dyson. I'm a pressure welder by trade, not a businessman. But there's a moment. We've gone from zero and no debt. Where can we go from here?"

EXPERT VIEW

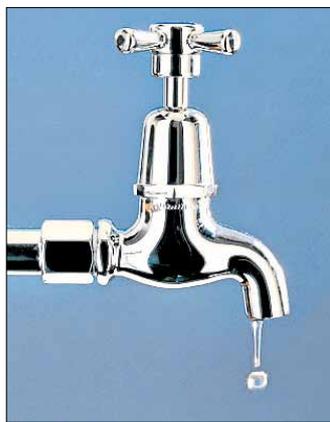
Danny Wooton

UK innovation director,
Logica

THERE is a clear consumerisation of enterprise IT going on, blurring the lines between home and office and driving the adoption of mobile devices in business.

However, this field is different. I see a distinction between casual business users and field users.

The environment outside the office demands technology



Utilities may provide opening

which is fit for purpose, robust and simple to use.

I agree with Ross's overall assessment of the opportunity and "managed service" approach: as more businesses mobilise their field staff, automate data entry and look for a competitive advantage, the winners will be those that recognise companies want to shift from owning and maintaining assets to using services, letting them focus on running the business.

Ross could look to develop

joint propositions with systems integrators that can combine mobile technology and enterprise applications such as CRM or logistics systems, setting him apart by addressing a business need, rather than just supplying technology. He needs to identify areas that have a need that can only be met by rugged kit, sectors with field service engineers such as utilities or telecoms, rather than think all Gartner's \$1.5bn market is immediately up for grabs.

Matthew Riley

Chief executive, Daisy Group

SOME of the latest smartphones are not built to withstand knocks or drops and can be expensive to manage for an engineering workforce, so it's right to think there is selling potential for Barcode devices.

But to expand into vertical markets, it is worth considering investment in a market-leading integrated solution, either via in-house development or acquisition, that takes exist-



Lone workers offer opportunity

ing devices and adds features such as job dispatch, lone-worker protection, employee and journey management, all of which can be coordinated at a central site.

Any acquisition needs careful targeting to ensure it complements a business to deliver synergies so the combined entity can increase collective profit via cross-selling, back-office economies of scale and stronger buying power.

By consolidating features such as email, satnav, voice

calls and tracking via one device, costs can be driven down while efficiencies increase.

There will always be different devices to fit different functions, but in a converging world with demands on efficiencies, smartphones with additional features may be the preferred option for many businesses.

However, with more than 2m field-based workers in the UK there is a wide range of businesses with a requirement for rugged devices.

BARCODE
WAREHOUSE
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