

THE YOUNG AND THE RESTLESS

Young up-start of a dealer, **Max Trotter-Landry**, co-founded web-driven company **Paperstone**, inspired by the success of website models like those of Staples and Amazon. Four years in, at only 29 years of age, this winner of the BOSS Young Professional of the Year Award has achieved much already. **Julia Dennison** met him to find out just why his refreshing approach to selling business products might just be the way forward

You rent your offices from Saatchi & Saatchi and are a stone's throw from trendy Charlotte Street here in London. No wonder you don't have any stock – it's prime real estate around here

It's a fantastic place to work. We have no interest for the time being in having any stock, and our business model doesn't require it.

Are Spicers reliable for the storage, picking and packing of your products?

On the whole yes; although when dealing almost exclusively with one supplier there are invariably recurring problems.

You're fairly new to the industry – have you found being part of a dealer group useful?

It's been very helpful to have an off-the-shelf catalogue, both for convenience and pricing. We don't use the marketing tools as we prefer our own. In the long run I think one has to ask whether dealer groups are a necessary extra link in the chain between wholesaler and reseller. Although, I imagine, for small traditional dealers they are very helpful.

Would you ever think about dealing directly with Spicers?

Yes absolutely in the long run, it would make sense, but for the time being we like the OfficePoint catalogue.

Do you go to the dealer group conferences or exhibitions?

No, but we did go to Spicers' SOS.

Did you find it useful?

It's a useful and informal environment to talk to key people at Spicers. This year we met with Gary Fletcher, Paul Wright and Mike Tucker. We also talked with Rob Vale, he's very experienced and it's great to be able to bounce ideas off someone who can take a macro look at the industry as a whole.

C^o CV...

TURNOVER ■ £1.2m

GROSS PROFIT ■ 35% excluding carriage;
31% including carriage

STAFF ■ 4

VANS ■ 0

WHOLESALE ■ Spicers

ACCOUNTS ■ 3,000+

DEALER GROUP ■ OfficePoint

BACK OFFICE ■ Progress



ABOVE | The Paperstone boys: Jim, Alex, Max and Henry

Did you go around to all the exhibitors?

Not really. I don't think it's really geared up for a dealer like us because if you're holding your own stock then you might say, 'I saw this really nice promotional pen and I'm going to buy a lot'; that doesn't really work for us. We're selling the entire Spicers range through the internet. If you're going to offer me a very attractive way of making people buy your product through our website, that's fine. That's the way we work. Being sent 500 leaflets to post out to our customers doesn't fit in with our business model.

It seems like there needs to be some changes in the way the industry works. There are elements of it, like sending out leaflets, that seem very old fashioned.

It's also hugely wasteful. On the one hand we're constantly being told by suppliers and dealer groups that we should be environmentally friendly. I feel it's very shallow in some cases: we should be caring about the environment but we can also get a really high margin on eco products. We'll receive 500 glossy leaflets that we haven't ordered and we just have to recycle them. It's completely inconsistent.

I understand your website is bespoke, but you use Progress for your back office system. Are you happy with it?

On the whole we are fairly satisfied; it's potentially a great piece of software but performance lets it down, you constantly feel like you're waiting for it to catch up, the user experience is frustrating.

As predominantly website-focused, how much repeat business do you get from your customers?

We have a huge number of one-off purchases. We might sell to 30,000 different people in a year, in terms of people who consider us their primary supplier it's probably a few thousand.

Are they mostly in London?

I'd say 50%, but we sell nationally.

You started your business in 2004 with your colleague, Jim Brown, launching the website in April 2005. What made you choose office supplies?

Jim had run a business previously that sold printer cartridges and he realised there was an opportunity there. I was very interested in the internet and I knew there was an opportunity in the way that people were starting to search for products using search engines. If you want to have a cheap flight, you type "cheap flights" into Google.

So we started the company together and it was just the two of us for two years. Since then, we've taken on Alex who deals with sales and marketing and Henry as an IT director. Next month we're taking on two more people, an office manager and a usability expert. Usability is about figuring out how people use the website, and how to make it more intuitive. Too many decisions are made in business on intuition from company directors, thinking they know what's right. I'm not necessarily representative of our customer base, so don't want to assume I know what they →



RIGHT | Paperstone HQ

want – decisions need to be made as a result of research and results.

Are you using any software or tools for that consumer research?

Yes. We use Google Analytics to monitor traffic to the website and behaviour. However we're starting an 18-month project next month with University College London (UCL), we will be their industry partner for usability research. It's a large project.

How did you hook up with UCL – I know they're around the corner?

I just called them up and said, 'Can I have a chat with you?'. Walked over there, had a coffee with an admissions tutor and then got introduced to the woman who runs the masters programme.

So students are helping you out?

No. We're employing someone specifically for this project and it will be using the resources of UCL, our website and the information that we generate from it. It's being funded partly by us and partly by a grant won with the Department of Business Enterprise and Regulatory Reform (BERR). The programme is called a Knowledge Transfer Partnership. It's very exciting for us to be working with some of the leaders in this field.

What are your impressions of the industry as someone primarily interested in selling a product that happens to be office supplies through the internet? Do you have much interaction with other dealers?

We have very little interaction with other resellers, and haven't experienced a sense of community that I imagine exists with the more localised dealer networks. The pricing and rebate structures offered by wholesalers, dealer groups, and subsequently from resellers to end users, I find confusing and unnecessary. The enormous range of products available makes it exciting as there is opportunity to sell lots of products to lots of different people. I find the tactics pursued by the contract stationers particularly frustrating – loss leading products, subsidised by near retail selling of other products – and dishonest. It can also be hard to show your customer that this is not an honest pricing policy – given the apparent bargains

on the contract list. People tend to focus on their contract list as opposed to their total spend.

Does the way people buy change when you sell most of your products via the internet, which I assume you do?

Yes, we use the internet to get customers and then both catalogues and email marketing to try and hold onto them. The kind of customer who has found you through the internet is probably more likely to be searching again in future – so is a harder customer to keep a hold of. Catalogues can work very well as a brand reinforcing tool; and some people just simply prefer them to a website.

How does your turnover break down between types of office products?

I'd say about a quarter is EOS, half standard stationery items, with the final quarter being made up of everything else.

Any recent trends you've noticed?

I'm noticing more and more people are buying more EOS from us, we are good value compared to other dealers selling a full stationery range. You can of course buy EOS products for less online – but our research suggests people are prepared to pay a small premium to be able to buy everything in one place.

What kind of search engine marketing are you doing?

SEO and pay-per-click. We get roughly 2,500 new visitors a day to our website. Marketing is one of our central focuses for this year. Understanding our customer base, what they want and how to market to them in a cost effective manner.

I think people need to be very wary of pay-per-click. Three or four years ago it was very good value for money. It's very expensive now because phrases have become so competitive to bid for. People really need to understand whether they're getting value for money from it. You need to be very careful that your adverts are the right commercial phrases for your business. We now spend very little on pay-per-click.

So it's probably not worth bidding for something generic like "office supplies" but something more specific like Hewlett Packard?

A very specific advert will cost less to advertise, will have

a higher conversion rate, but the frequency of search will be lower.

The ideal advert would be something like "red, Bantex, four ring, lever arch file". If someone clicked on it and they've typed that search string they're likely to buy, it is exactly what they're looking for. The key is to have a balanced set of phrases and keywords.

So quite a large percentage of purchases made on your website might be just one-offs?

Yes, our internet marketing reinforces this. Typically our customers are divided into small- to medium-sized enterprises, larger companies/NHS type of organisations, looking to buy a one off product, and home users. Ultimately we are looking to attract repeat ordering companies.

So once the NHS has bought a laminator from you, do you follow that up and try and get the rest of their business?

No, not really. We might send them a catalogue. Every order over a certain size will receive a catalogue. But we're not going to try and get the rest of their business. It's unrealistic that they'll switch their day to day spend to us. But for companies within our target range we actively pursue and try to convert into repeat ordering customers.

Going back to EOS, have you noticed the prices have shot up?

Yes, enormously. It's a combination of HP putting prices up at distribution level and Sterling weakening against the Euro, unfortunately both are out of our control. It's frustrating. As much as we try and be straightforward with our customers and explain the situation, understandably they will increasingly compare prices as prices rise.

Is HP selling direct a problem?

The reseller channel requires dealers to sell on products, and support brands, whilst obviously making a margin, selling direct may lower consumer pricing but it will also force resellers to promote alternative brands. Ultimately reseller loyalty will affect end user loyalty.

Do you sell compatible cartridges by alternative manufacturers?

We do but they're not something we promote.

Do you think you'd start promoting it more as the OEMs get more expensive?

As cartridges become more expensive there is more of an opportunity to promote them but historically speaking we favour original cartridges sold very competitively. The return rate is lower. We're really trying to minimise the need for problems down the line. But obviously now when you can buy an HP cartridge for £90 or a compatible one for £30 that changes the hassle factor doesn't it? Is it worth the saving? Perhaps it is. There's certainly more of an opportunity for remanufactured toner cartridges when the market is like this. People are more willing to try something new if the saving is considerable.

Are you communicating the recent price increases to your customers?

We try to, but price rises are never an easy topic to breach.

Who are your main competitors?

It's very hard to tell. I'd say Viking and Eurooffice. We tend to be cheaper than both of them, although both have very clever pricing metrics whereby they're good at appearing cheaper than they are. I believe, on a basket of goods we would tend to be cheaper than both of them. Using the metaphor of the supermarket, with the bananas, bread and milk, these larger companies are very good at knowing what the price points are for customers.

So the bananas, bread and milk will be really cheap?

Yes, but their parsley is four times more expensive than our parsley!

Someone was saying that Sainsbury's is the cheapest supermarket pound for pound...

But Tesco appears much cheaper.

How do you think the industry is going to look in 20 years?

I think that it will be full of companies with some speciality. I think there's certainly room for a large online presence. There's definitely room for local presence where people build a very strong relationship with a local firm. There's absolutely room for the sort of corporate players who go in there with an aggressive sales team and fight for accounts. I think everyone is there but people are going to have to decide which camp they fall into and be good within their sector. I don't believe the industry will go all one way or the other. I think a plc with 5,000 staff is always going to shop differently to a start-up company with 10 staff. Like any industry it will become increasingly competitive and only the robust, innovative and well financed will survive.

If you say you're hiring people would you say you're growing?

We're experiencing sales growth at the moment. Our main concern is credit and bad debt. The one thing I'd say to anyone at the moment is just watch your sales ledger. Make sure people are paying on time. Companies will inevitably go bankrupt this year. We know economic times are getting tougher. Try to minimise your exposure where possible.

Is that tricky, chasing customers for payment?

It's a horrible job but a necessary one. You've just got to make sure that your bill is more important than someone else's bill. So we're really focusing on tightening up credit control. Sales are growing, which is fantastic, but it doesn't matter if no one pays. The focus has to be on getting the cash in and keeping in a strong cash position. **DS**