

Systematic **invasion**

Systemcare may have been bought by US manufacturing group ITW but the company now has a great platform to meet its ever increasing global demand

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SYSTEMcare
DESIGN & MANUFACTURE OF PRIVATE BRANDS



Systemcare Products is the private brand specialist for the equipment cleaning and hygiene market. The company has a head office and manufacturing facilities in the UK, a sales office in Paris and also operates through partners in the USA, Australia and Taiwan. Last year 77 percent of its output was exported to 34 countries in 2008.

It's a massive reach and, as Managing Director Simon Rex tells **OPI**, makes Systemcare a truly "internationally recognised, leading company" in this private brand category, with exports to 34 countries accounting for 77 percent of output in 2008."

In September 2008, Rex and co-founder and fellow principal shareholder Doug Skeggs decided to sell to ITW, the Chicago-based international manufacturing group. The move not only secured the future of the company it is also set to provide a strong platform for growth.

Commenting to **OPI** on the acquisition, Rex explains that: "we had forecast further significant growth over the next 3-5 years, particularly in the US where we believe, even in these difficult times, that there are real opportunities for growth for private label in our category. However, we recognised that we needed outside investment to underpin this and the approach by ITW earlier this year was timely. I am pleased to say that six months after the event we feel that we did find the perfect partner to work with.



Steve DiPasquale,
CEO, Sourcingpartner

“We are delighted to be partnering with Systemcare for their outstanding range of products”

“This allows us to take another step forward as we invest for increased capacity and distribution and to fully exploit the exciting opportunities that we have identified for the further expansion and development of our business activities.”

ITW is a global multinational manufacturer consisting of 875 business units located in 54 countries. ITW’s policy is to acquire companies that are already successful and profitable and to help them develop their business further, but at the same time maintain decentralised ‘close to the customer’ business units that can continue to carry on doing the things that have made them successful to date.

Rex adds: “There have been no visible changes to the way the business runs. The original management team remains in place and we continue to maintain and develop the close relationships and understanding of our customers’ businesses that have been so effective in the past.

“We continue to manufacture and distribute from our own premises but are now enhancing our operating activities by introducing time-tested ITW attributes and productivity enhancing business processes. Given the difficult financial environment we all face in 2009, our customers can be reassured by the fact that Systemcare is now part of a major industrial company with a fundamentally secure capital base and a first class reputation for successful growth,” he says.

Private label stance

Systemcare is a real success story with consistent year-on-year growth over the past decade. It remains determined to maintain a UK manufacturing base in the face of increasing competition from the Far East. It is also unusual in maintaining its adherence to a private label-only stance.

“The company has a strong track record of innovation and product development and the team is very focused on achieving growth for our customers as we don’t promote a brand of our own,” explains Paul Hardy, Company Business Development Manager.

“Systemcare has changed the perception of private brand from being a poor relation to a preferred option.

“We still see some driving down of prices and quality in desperation for market share from some companies in our sector, but we made a strategic decision to offer private brand products with enhanced features and quality, and a level of support that benefits everyone in the sales channel.

“It also helps us to avoid the conflict that some other companies have when they have a brand of their own but still offer a private brand version. We have no end user sales and are 100 percent trade-focused.”

Laurent Chodkiewicz, Sales Manager, who is based at the Paris office of Systemcare is delighted that private



branding is now moving away from just about being price-driven.

“Our strategy of offering more added value products to our customers to help them achieve greater profits has worked as the increase in sales volumes for all of our customers has shown. Coupled with that, in the last few years we have seen a dramatic move away from Asia-sourced products in this technical cleaning sector for mostly environmental and quality reasons. We manufacture more than any other company in this category. And innovation coupled with quality will keep us ahead.”

Legislation such as the EU detergent labelling regulations, the biocidal products directives and the FDA and EPA regulations in the US, all help to keep the standards high in this category (for those companies who comply).

Chodkiewicz adds: “With some resellers the cost of entry for a client into the private label market has been a deterrent, because in many cases one of our competitors is already selling their own branded product into the market and has wholesalers and distributors to protect.

“Systemcare only manufactures private label and will ensure a cost of entry into the market that is as low as possible and will endeavour to meet customers’ budget requirements. We make private label easy for our customers.”

Product Manager Samantha De Costa has been with the business for ten years and is proud of the marketing teams track record in product development. “Our research and development is a continual process. There are around 20 new products added each year, ranging from technical cleaning kits for engineers to new retail consumer cleaning products like a digital camera cleaning pack and net books. New products are trialed with customers and end user appeal is added with attractive retail packaging where required.”

“We always make sure a new product has market potential before launching by using focus group research. It’s irritating when we see our competitors copying our new products and our model of sales development but we have the history, research and the efficacy data – and after all we are the private brander! We launch more new products each year than anyone in our equipment cleaning category.”

“It is important that each client knows who Systemcare is, what they can do, and how they do it”



Phil Leckinger,
Sourcingpartner



According to Doug Skeggs, the recent move to larger premises adjacent to the old building has allowed for investment in specialist high volume filling equipment for additional orders being generated in the company's export markets. There will also be further diversification into new product areas and component stock levels will be increased. "It's also allowed us to hold more customer finished product to allow us to reduce lead times for customers," adds Skeggs.

"A major development for us has been the increasing inventory in the USA with our partner distributor Sourcing Partner to support our USA customers' efforts to reduce their own stockholdings, costs and lead times in these tough market conditions," says Skeggs.

With over a decade of experience in distribution to the OP industry, the focus at Dallas-based Sourcingpartner is on delivering unique quality products backed by its distribution operation and call centre.

"We are delighted to be partnering with Systemcare to gain distribution in North America for their outstanding range of equipment and screen cleaning products. Systemcare is a well run company backed by an exceptional corporation in ITW," comments Steve DiPasquale, Sourcingpartner's CEO.

"We were interested in teaming-up with Systemcare due to not only their world class manufacturing operations, but their understanding of the market here. Systemcare embraces the need for rigorous compliance with US regulations, logistics and distribution requirements as well as customer and end-user support to make every sale a positive one."



Samantha de Costa

"We have the history, research and the data. After all we are the private brander!"

"Our customers in North America can be assured that a product from Systemcare which is manufactured in their private brand is of high quality, safe and backed by the full support of our US operations. During these days of economic uncertainty, it is refreshing to see companies investing in growth in the USA," DiPasquale says.

"We are off to a great start with Systemcare," DiPasquale enthuses. "Customers can take advantage of their well recognised brands on equipment and screen cleaning products that are used daily, while streamlining the supply chain and getting the needed aftercare support at the same time."

Phil Leckinger, Sourcingpartner's COO, says, "Systemcare's approach to the market is a complete complement to our strategy. For ten years, we have been at the forefront of private label development. Along the way we have added several services to help with our client's execution of direct import and private label development. Systems, warehousing, customer service were all added based on enhancing the development of these programmes, and recognising client needs."

"Systemcare has revolutionised equipment and screen cleaning products by developing eco-friendly formulations and delivery systems. They have stayed ahead of the market, and this has enabled our clients to grow and profit in this category. Today, it is not just about manufacturing in the low cost venue, but manufacturing high quality products that under private brand can be differentiated and be extremely competitive."

The relationship that Systemcare and Sourcingpartner share, while not unique, will most likely prove to be a model of the future as manufacturers looking to gain access to the US market come to rely on a ready made infrastructure that will allow a cost effective entry.

"We spend a lot of time making joint calls together. We believe it is important that each client knows who Systemcare is, what they can do, and how they do it. Because of the growth, we are looking to integrate certain manufacturing processes into our facility in Dallas to increase our competitive advantage," says Leckinger.

Secrets of success

Systemcare is keen to stress that the most important relationship that Systemcare has remains its closeness to its customers. "We are successful because we are flexible and create innovative packaging and products for the specific customers in each channel, rather than selling everyone the same product, annually we produce and ship around four million tubs of wipes, 42 million screens sachets, 1 million air dusters and many, many more products around the world. We have the most experienced team in our type of business which gives confidence to our customers who trust us with their brands." ■

