



Your Association Prospectus

Your Association Formative Committee

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Foreword by your Chairman

For many years big names, big companies and big business have dominated the IT sector. It has become clear in the last few years that the quality of service of these big companies does not come close to the level provided by the independent specialist, working to build up clients and customers rather than to simply make money for share holders. This, our strength, has generally gone unrecognised by both the public and businesses

It is to address this that ITACS, the Independent Trade Association of Computing Specialists, was formed to provide a voice. Our aims are simply to raise awareness of the independent sector and to promote activities and changes that will benefit us all.

The initial committee has a range of skills and experience from many areas of the local independent sector ranging from contracting through business-to-business and consumer services to retail and e-tail. However, we need to change. Born from demand by a significant number of Brigantia buying group members, your Association must now position itself to deliver to our global community as well as acquiring members from all areas of the sector and all buying groups. We have to make space for proper balance and representation within your Committee to reflect these aspirations.

I feel strongly that we will make a difference to our business environment and benefit not only our own businesses but also those within the ranks of the supply chain who are willing to work together and appreciate our points of view.

We all look forward to progress.

Mike Hoffman
One36 Computing Limited

EXECUTIVE SUMMARY

Our
introduction

On the 12 August 2006, having obtained expressed support from 60 independent local computer retailers, VARs and resellers ranging from Dunfermline to Devon, a committee was formed to create our own, not for profit trade association to protect our interests, promote our sector and improve our market place.

Our market
place
analysis

Our market place has changed. No one can dispute that. Information technology is being sold as commodity items with the thinnest possible margins. Direct competition is unwise if not impossible. More of us are recognising that our future businesses will be service based and as a result are transforming or being forced to change to survive and thrive. This will change our current relationships within the supply chain. As supplier price recedes in importance, the quality of service we receive will come to the fore. More personal computers in more homes will create a market for delivery of more services and solutions.

So what do
we offer?

A fair and level playing field.

Your Trade Association is not intent on providing a list of benefits that, to be honest, can best be served through membership of one or more of the buying groups within our sector. Rather, we wish to concentrate on the issues, threats and market conditions seriously affecting our businesses today and through the future. We also plan, by persuasion, to bring on board some of the big players in the IT industry to develop our market place by giving due consideration to the very strong skills base within our sector. We wish to play an effective role in minimising piracy and software theft within the UK and promote licensing compliance both within businesses and throughout the home market. On-going success in these areas will deliver a more level playing field and hence improved market conditions for business growth and profitability.

Service and Skills Emphasis

Your Association shall encourage customer confidence by putting in place codes of practice and ethics with which all Members shall be obliged to comply. We shall introduce a membership skills and services database to facilitate easy access by potential customers to the right local member for the right services. We shall encourage and promote the growth and development of leading edge skills and capability through seeking cooperation with, and help from, the major players in this field. We shall play an active role in promoting public and business confidence in our Members services

A forum for sharing and networking

Your Association recognises the need for a support and communications network for developing member business through cooperation, recognising and grasping opportunities and identifying changes in our market place. We shall put this in place.

A representative Association

Your Association recognises the difficulty each member will have in attending meetings and events; even voting. We plan to provide representation of all members through e-voting and e-conferencing. Our aim is for inclusiveness and participation. Your Association shall react and move in a way that fully reflects the prudent views of majority membership. We shall give strong consideration to ensure appropriate organisational structures to facilitate regional representation.

Support for buying groups

Your Association understands that strong buying groups are in the best interests of our members. Therefore we shall seek ways to strengthen the abilities of these groups in delivering benefit to the membership of each, without favour or favouritism. We, as an Association, shall not enter the commercial space that is the reserve of such groups.

So when do
we deliver?

Your Association starts now. We shall continue to identify and introduce activities to support success within Members operating environments. Meanwhile, very conscious that the current Committee will remain undemocratic until elections at our first Annual General Meeting, your Association shall seek to deliver three significant impacts before such elections are held. At that time 50% of the Committee shall be required to seek re-election and a number of vacancies shall be created to ensure the introduction of additional and different talent from across all areas of our sector, including all buying groups

REASONS FOR ESTABLISHING AN ASSOCIATION

Introduction

During the last four years it has become very clear that introduced regulation, deteriorating terms of trading, and increasing threats resulting from both commoditisation of information technology and emerging new vendor sales channels, particularly e-tail, has seriously impacted the trading environment of the local independent computer retailers, service providers VARs and resellers. The many issues acutely affecting us have come to a peak but have been substantially ignored by any other trade association despite our views and pleas being known.

Market analysis

It is becoming increasingly evident that the IT product supply industry is at the forefront in the UK in squeezing both business cost and profit margin to the limit. A survive and thrive strategy by the local independents of tagging support services onto product sales to both business and public has been adopted by other bigger players making it an increasingly congested environment. Because our strength lies in delivering timely, quality service we cannot now presume that this business will always be there if we cannot maintain our competitive edge on service quality. However what has become clear is that we have a significant price edge over others when it comes to service and repair. Our purchase price for the replacement hard drive etc, in this context, becomes a lesser issue than the quality of service and response by the distributors in satisfying our needs.

The growth of e-tail stores with minimised cost base and the entry of supermarkets and other mass merchandisers (MM) into the selling environment has added an additional squeeze on margins and price. In the UK, these sales channels have rather uniquely persuaded certain manufacturers to agree direct prices, breaking with the traditional supply chain model. This trend will continue as it has initiated a units sold rather than profits earned scenario, introducing a simplistic, high-risk strategy of "last man standing".

Business models, both for local independents and enlightened distributors, are there to be changed.

Supply chain analysis

Driven by the increasing emphasis on low headline retail item price, the supply chain environment is seriously deteriorating, particularly so for those at the bottom of the food chain. Where trade prices have dropped significantly for the e-tailers and mass merchandisers they have remained static for others leading to a more difficult environment for the small reseller and retailer. Behaviour has changed leading to instability. Prices are fixed at manufacturer/vendor level for the few with broad-line distributors meeting these supply needs through fulfilment charges rather than sales. Prices for the rest of the industry will increase, as these distributors are profit squeezed. The last three years have seen a strong drift towards the adoption of supplier terms and conditions of trading that many analysts would class as "unfair". The significant risks devolved to the computer retail sector have traditionally rested within the supply chain itself, but now introduce serious potential for loss and impact on our levels of customer service. With customer service quality being our main differentiator in business our primary competitive edge is being eroded. Other trade associations have failed to involve themselves with any of these crucial issues. Both these and sub-distributors have already migrated their terms and conditions to pass both risk and cost within warranty failures and DOA product on to the independent sector threatening its delivery and quality of service reputation. Many of us local independents have dispensed with using the returns procedures except for high value items. We are waving good-bye to estimates of £400 - £600 per annum each, that could well total, a combined £1million within our sector.

Piracy impacts

Piracy and copyright theft is increasing, and knowingly so. It is understood that Microsoft, the main victims in our sector of such activity, has increased its UK estimates from percentages in the lower/middle twenties to above sixty percent. Internet auction services, multi-disk copiers and abuse of OEM software licence retailing, the latter primarily by distance and e-tail sellers, have increased the capacity for piracy and licence abuse. This has affected our sector's trading environment more than others. There is a place for us, the local independents, to play a large part in promoting and persuading legal compliance. At present, the high incidence denies us significant selling opportunity and resulting profit. We must create a role for ourselves and deliver within initiatives to improve compliance.

Focus on independents

The trade association sector has not succeeded in looking after the interests of the local independents. Our sector has effectively been sidelined during the past two years with significant press promotion given to the large stores, supermarkets and internet retailing. The local, independent retail destination stores provide benefits to the shopper that has been seriously understated, if not ignored. Areas where we have the better capability to promote and introduce new concepts and products have been denied us through lack of effort to persuade.

Skills awareness and perceptions

We know we need to differentiate to compete. To survive, our sector has recognised it needs to continually change and adapt to maintain a value to its customers. However, there is no means for potential customers to be attracted to or select an appropriately suitable local independent provider. Many of us are initially seen in the same light as the back street garage – cheap, cheerful and somewhat imperfect.

Business development investments

We are continually tempted by the new, expensive investment to improve current, or deliver new service/product. Many national businesses would not consider such an investment without proper feasibility or pilot study producing realistic profit projections and return on capital. There is no means for us to make proper judgements and hence some of us take a huge leap of faith. Vendors are under no pressure to produce validated data and key success factors, nor do they seem keen to collect and collate such information.

OUR PROGRAMME

Supplier terms and conditions

Your Association shall create an assurance scheme by which distributors, recognising service quality at street level is significantly dependent on equal service levels from within the supply chain, can be seen to the best and differentiate from the rest. Terms and conditions are the prime areas to be addressed with special interest in returns procedure, treatment of dead on arrival items, and avoidable marking of retail boxed items such as printers. We believe this is achievable through compromise. With our business models swinging towards service and repair and away from direct product sales, there is scope for a distributor's pricing structure to take account of the increased risk and cost we would be asking it to accept. Our hard drive etc., supplied as an element within a service/repair has far greater value to the customer than that supplied separately or within a personal computer. Here, we have extensive scope to maintain competitive edge. In return, we are sure that, quality distributors will see the benefit of differentiating their advertising from others to attract more of our business. We shall also develop other strategies for improving our supply chain service levels.

Piracy

Your Association shall develop relationships and effective processes with software copyright owners to reduce piracy and abuse for mutual benefit.

Sector promotion

Your Association shall promote the view that purchase, installation and use of IT is not yet a commodity product.

Skills development

Your Association shall play a significant role in moving our sector forward in skills development and the adoption of suitable diagnostic and other tools.

Customer confidence and protection

Your Association understands our sector must conduct business in a transparent and timely fashion whilst maintaining the highest degree of integrity. We shall introduce Codes of Conduct and Practice to promote and maintain the high standards of customer service and care essential within the local retailing environment.

Regulation

EC regulations regarding electronic waste, hazardous materials and recycling is due to place heavy responsibility on the personal computer retailers. Our sector, in particular, with its much smaller individual company resources has great difficulty in assimilating the requirements and new responsibilities introduced. Your Association shall aim to work closely with other trade associations and Government to ensure greater understanding, improve preparedness for implementation and achieve ultimate compliance.

Vendor partnerships

Your Association recognises that the local independent sector can play a significant part, albeit unrecognised, in supporting vendors to popularise new technologies and concepts. Your Association shall promote the capability of our members to be uniquely positioned to deliver local popularisation of new products and digital concepts.

Contracts and documents

Your Association shall make available legally vetted service and product supply contracts and other documentation as demand dictates

STAFFING, GOVERNANCE AND SECRETARIAT

Structures

The representative structure of your Association shall, for the medium term, be restricted to nationwide elections to your Committee commencing in March 2007. However, we see the need, particularly with a large membership, to introduce regions with a certain degree of autonomy providing the elected Committee representation. Your Committee shall initially look to volunteers to make up working parties and report on selected topics and issues.

Roles

Again, for the medium term, there will be no definitive individual roles or titles conferred on members of the Committee. We rather feel that more can be achieved in the medium term by each of us accepting responsibilities at task level to deliver soonest. This may of course change due to voluntary or enforced circumstance in the future.

Governance

Secretariat and financial management of your Association shall be delegated to a suitable firm of accountants proficient in these tasks. The Committee shall maintain authorisation and oversight control in this situation. The selected accountants shall also provide the independent scrutineering function to ensure fair and honest voting. E-voting systems shall be adopted to ensure wide spread inclusion.

Staffing

Your Association, in the medium term, shall not seek to recruit permanent staff thus limiting associated risk. However, this policy cannot be asserted as a permanent feature within your Association field of operations. Payment to elected Officers of the Association shall be restricted to reasonable subsistence and travel expenses only.

Status

Your Association has been established as a not for profit Company limited by guarantee. It has no remit to enter the buying group arena. The Constitution protects this, requiring a 75% vote in favour of constitutional amendments. Supplemented with e-voting procedures, your Committee feels this secures the ideals under which your Association has been created.

Functions

The functions and objectives of your Association are clearly defined within the Constitution and Articles of Association. Copies of these will be made available to all prospective members. These will shortly be published, along with other assisting and informative documentation, within your Association temporary website.

COMMUNICATIONS AND RELATIONSHIPS

E-newsletter

Your Association plans to introduce vehicles for the vital area of communication with its members, businesses and the public.

Our e-newsletter shall be distributed monthly to all members providing light relief, key information and dissemination of achievements and introduced schemes. These shall also be eventually available from the Association website.

Forums

A forum shall be developed within our website to provide information and facilitate co-operative help, guidance and the cascade of knowledge, opportunity and expertise. We shall also seek to build relationships with all buying groups and, where available, participate within their forums.

Website

Our website shall be public and member facing providing details on both the standards members deliver and skills available, together with testimonials, and locality within the membership.

External relations

Your Association shall seek to build mutually beneficial relationships with key IT players, other associations, Government and related Agencies. We shall certainly seek to support the Professional Computing Association in its role of looking after the interests of the IT Sector,

FINANCES

Subscription

Your Association shall be financed through member subscription, the rate being £90 per annum. We have agreed to seek bulk membership agreements through the buying groups covering the first undemocratic period to March 2007. Thereafter, all members renewing would be responsible for their own subscriptions. We feel this is fair and favourable to both the buying groups and us but more importantly, will give us leverage and minimal finance through the formative/transitional period. Associate membership shall be available to vendors etc but the membership category shall carry no voting or business participation rights

Other income

Any further income initiatives of your Association shall be given careful scrutiny to ensure the ideals of conflict of interests' avoidance is maintained

BUSINESS PLAN

Planning

Your Association shall seek the views of the membership to develop a viable business plan to ensure the major objectives are delivered. It is anticipated that this process shall carry through beyond the transitional phase and fully elected Officers shall finalise the long-term plan.