Good Fellowes

Heike Dieckmann, 22 February 2016

Its first product line might date back nearly 100 years, but Fellowes is a company that has reinvented itself and its products time and again over the past century

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In the first ever Big Interview with a manufacturer – as part of **OPI**'s special focus on the vendor community this month – Heike Dieckmann speaks to John Fellowes about the Fellowes brand and how it has survived and thrived over the years.

Fellowes' tall standing today in the manufacturing community and the business supplies sector as a whole hasn't happened overnight or indeed by accident. And while a certain amount of luck is undeniable, there have also been considerable downs from which the company had to claw back market share as well as brand reputation.

Investment, innovation and, perhaps above all, people are the key ingredients that have made Fellowes the company that it is today – just a year away from its centenary.

OPI: You're the fourth generation leader of the company – that must be quite a responsibility…

John Fellowes: I receive this question from time to time… Of course, there is a significant responsibility that comes with perpetuating a multi-generational family business. However, the sense of purpose that stems from believing in what we are doing and who we are as a business far outweighs any feelings of 'burden'.

It is also important to point out that I'm surrounded by very talented people and perpetuating our business is much more of a team rather than an individual effort. Today I have three leaders that I particularly depend on: Mike Parker, our President; Jim Lewis, our COO; and Michel Van Beek, our President of EMEA and Asia.

These individuals bring tremendous leadership skillsets and personal conviction that I respect and value. The four of us work with a shoulder-to-shoulder approach.

OPI: Can you take us through your career at Fellowes, including major personal and company milestones?

JF: I began working at Fellowes on our shredder manufacturing line when I was 16 years old. In our home, the rule was that all of our personal spending money was self-generated, so initially my pay cheques supported nights out with friends.

In 2001, I joined Fellowes full time after graduating from college in California and working for a while in the financial sector. Over the following years, I worked at Fellowes principally in marketing, product development and sales in our business machines category. I also spent a year working in our European business, living in the UK.

In 2010, I became Chief Marketing Officer, in 2012 President and in 2014 CEO. During my career, I have learned much through good and bad experiences and formed some great relationships. Our launch of jam-proof shredders in 2008 was my most memorable milestone. In the face of a myriad of challenges and competitive threats, we launched an exciting new technology with a comprehensive marketing strategy that reclaimed Fellowes' leadership role in the shredder category.

OPI: I'm going to come back to shredders a bit later. But sticking with the company as a whole for now, how would you describe Fellowes today?

JF: Fellowes is a business with a strong culture and deep roots in its legacy categories and brands. But, as you know, at the same time the end users that we serve are changing. They are acting and thinking differently than they did just ten years ago, and their expectations are evolving.

It's this reality that has caused us to accelerate our strategic planning process.

OPI: When did this process start?

JF: Most of the work began in 2011 with a clear plan that identified how we would continue leadership in traditional categories, while investing in adjacent opportunities through incremental efforts.

Today, we are observing continued strength in our legacy businesses like shredders, record storage, binding and laminating while some of our new efforts are starting to build tangible momentum, including workspace management solutions, air purification and moving boxes. This is creating a new and fresh energy in our business.

That said, not all new efforts have been fruitful and we have had to come to terms with a number of 'expansive initiatives' that did not yield results after 12-24 months of investment.

Big Interview: A new (Lyreco) world

OPI's first-ever interview with Lyreco CEO Hervé Milcent turned out to be a charmingly French affair. It also provided a frank and honest assessment of where the reseller is at nearly two years after Milcent succeeded Steve Law.

Big Interview Xtra: Craig Bartholomew, CEO, 360 Office Solutions

Exclusively for OPI digital and premium subscribers, more from our interview with Craig Bartholomew, 360 Office Solutions and Pinnacle Affiliates.

Big Interview: Posting the 3M message

Awareness of the 3M brand is pretty much unrivalled in the business supplies sector. But while the ubiquitous Post-it note is just a tiny cog in the overall 3M wheel, it serves as a good example of what phenomenal branding, continuous innovation and a relentless focus on the customer can do.

That's quite natural and as an organisation we are prepared for the realities of pursuing new efforts. But the truth is that even good ideas don't always work in the real world. The key for our business has been to recognise when a new initiative is showing signs of potential and when it is time to 'cut the cord'.

OPI: Turning this the other way round, do you think that many manufacturers in our sector are flogging the proverbial dead horse and persevering with products that are just not relevant anymore?

JF: I really think it comes down to the 'DNA', objectives and leadership of each organisation. Overall, many traditional categories will not facilitate growth for manufacturers going forward.

However, these categories are not going away and they still represent sizeable markets. Manufacturers can probably survive by focusing on traditional categories alone for the foreseeable future, but it will require continual cost-cutting which, in time, can limit the value that they are offering their customers and ultimately the end user.

On the other hand, some companies in our industry don't want to just survive; they have an appetite for growth, relevance and leadership in the bigger picture. The leadership of these businesses carry a mentality that thinks in 5-15 year increments.

In our industry, we probably have a mixed bag of manufacturers that are working to either survive or thrive, but it's a hard assessment. When answering this question, we must also keep in mind that the nature of long-range strategic work is less visible or public than activity associated with mature categories. This can create a perception that short-term focus and investments are dominating long-range activity.

Over the next few years it will be interesting to witness announcements and launches that might be in quiet development today.

OPI: Very specifically now: what is the role of your once very traditional Bankers Box today – how have you given it a new lease of life?

JF: The Bankers Box business is the cornerstone of Fellowes and started the company in 1917. We are pleased to be able to say nearly 100 years later that this business has continued to grow, right up to the current time.

I think the key to our success in Bankers Box has been our teams' unrelenting effort to sharpen this business each and every year across all elements of our 360° value proposition which includes our products, manufacturing and marketing as well as category management capabilities.

At the same time, we have continued to stay 'offensive' in this legacy category. Today, we are focusing on international expansion and extending the usage of the Bankers Box in mature markets, from record storage to new categories like moving and general storage applications. Both of these efforts are fuelling vibrancy with the business during a time when it is fundamentally challenging for categories that are paper-dependent.

OPI: Apart from Bankers Box, you're also very well known for your shredders business, as you mentioned earlier. But it's a category in continual decline and that begs the question of the need for consolidation. What's your view?

JF: Any category that is not growing will usually rationalise through various means. Like you say, the shredder category has not grown since 2008 and we do not think that it will reverse its decline any time soon.

At Fellowes, we are continuing to invest in product innovation and marketing and believe that we can be the 'last brand standing' in shredders. Because we are picking up market share, we can continue to invest while others are pursuing cost-cutting measures in order to maintain profitability.

OPI: I guess the same decline applies to categories like laminating, binding and other traditional storage products. What's your strategy?

JF: It's all about investment and innovation. We are investing in both new and traditional segments and are passionate about ensuring our products and solutions are the most innovative in the market. This is the very nucleus of our strategy – 'Innovation in Motion'.

It comes at a price, however: product development costs are up over 70% compared to, say, six years ago, but we have always held a long-term view related to product development investments.

OPI: Most of our readers will recall your troubles in China a few years back. This has been well documented, of course, so just one question: what has been the true fallout of this gone-awry relationship with your JV partner in China and what lessons have you learned from it?

JF: Sure, it was a nightmarish experience, but we have learned much through the trials. We are a better company now because we endured this crisis and fully recovered. Essentially, we built a fundamentally better business than the one that went down.

Today, we operate two shredder factories – one in Suzhou, China, and one in Itasca, Illinois, for high-performance machines. These two factories produce substantially better machines in a much more efficient way. We have recaptured our market share position around the world, thanks to customers worldwide who valued our brand and our business relationships.

Most importantly perhaps, we now operate in a structure where Fellowes owns and controls 100% of its assets. It is a refreshingly simple and controlled structure, compared to the unpleasant JV experience we had in China.

OPI: Fellowes has won many accolades over the years – people awards, company awards, product awards… Why do you think that is and what do you bring to the table that others don't?

JF: First, credit goes to our dedicated people. These honours and awards are achieved by teams that represent our business and brand day-in, day-out.

Second, we are constantly working to create new value in the eyes of our customers and consumers. These are our two most important constituents, so what represents value to them must also be important to us.

OPI: Let's finish with an overall view of the industry. What's your opinion overall on OP reseller consolidation, for example? Who will win and lose?

JF: Over the past ten years, some of the largest and most mature global 'office products' markets have suffered from economic and environmental factors which have stunted industry growth.

Because of this, the perpetual question of “how do I/we grow?” has been on most leaders’ minds for quite some time. Given these realities, I do think that it is natural to see consolidation at the reseller and manufacturer level. Mergers and acquisitions can be a quick way for companies to grow and evolve. The winners, in my mind, will be companies that can figure out how to consolidate, but at the same time create a runway of growth opportunities for their business.

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