

In a move that's viewed as exciting and beneficial for both companies, in-car entertainment firm, Armour Group PLC recently acquired QED (along with VEDA, Goldring and Integrated Media Installations). Malcolm Steward spoke to George Dexter, Chief Executive, Armour Group PLC and Bob Abraham, who co-founded QED 30 years ago, about the new partnership.

# A NEW ERA FOR QED

Bob Abraham MD of QED (left) with George Dexter, Chief Executive, Armour Group PLC



George Dexter explained that Armour has been keen for some time to expand into the domestic market and saw QED as an attractive proposition – not least because of its involvement in multi-room. ***“Home automation and multi-room are only going to grow. I believe that within five years builders will put multi-room in homes as a standard fit, in the same way that they now install kitchens. Armour wants to be in the mid to top end of that market and we think we’ve found the best route into it – by buying the best and most profitable four companies in the sector, the companies that we identified two years ago when we started looking for people that we wanted to be partners with.”***

QED continues to manufacture many products in the UK at its Woking facility which is soon to expand considerably

While accepting that Armour has comparatively little experience in the domestic market, he feels that its proven skills in growing and managing businesses, along with its wealth of resources, will enable QED to build on the success it has enjoyed throughout the past 30 years. As the custom installation market matures and expands, he argues, a company's size will matter if it wants to stay at the leading edge; *“Product development isn't cheap. Companies need investment to move forward. In buying these four companies we have an entity that's turning over £14million. If you regard those businesses as an entity it's probably the biggest player in that market. With Armour behind it, and my enthusiasm to see it grow, QED and the others will have the structure and resource that's required to grow with a market whose own growth is accelerating.”*

Bob Abraham, who established QED with Ian Vine in 1973, said: *“Life is about change and I share George's enthusiasm for this venture. I think it's a great opportunity for QED and the other companies: we're now looking at being part of a £30million organisation and that makes life a lot easier, especially when you have to deal with the red tape and other issues that face companies today. In recent years I've found my time taken up by all sorts of issues other than running the company and working with products, which are the things that I enjoy.”*



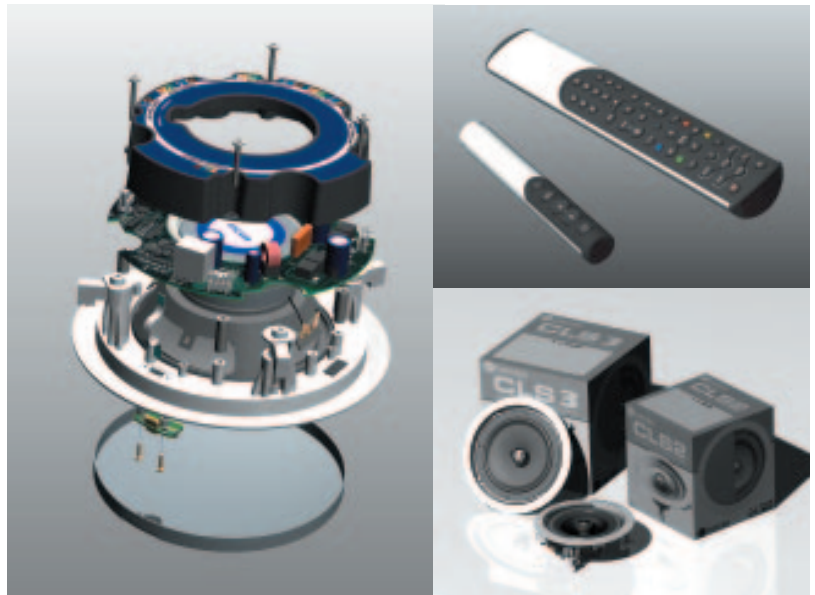
"The alternative to change is stagnation, which as far as I'm concerned is not good. Some people are happy to stay where they are, in what you might call a comfort zone, but that's not what we want for QED. It's always been a very successful and profitable company but I want to see it move forwards."

"We're no strangers to change. We were the first company in this country to start talking about the custom installation market and the first to produce products for it. We were instrumental in establishing what custom installation would be in Europe as opposed to what it was in America. It's interesting to see how over the years those two differing markets have started to come together. I remember in the early days attending manufacturer training sessions in the USA and seeing installers virtually get up and walk out because they'd asked a question and got 'no' as an answer: products had to do everything and it was almost a challenge to the installer's manhood if they didn't. The European approach that QED pioneered was to provide solutions that were as straightforward as possible for everybody in every respect – the product itself, using it, setting it up, right down to buying it. I remember talking to a dealer in those early days and him telling me how many hours it took just to compile a bill of materials to carry out an installation. When I told him that we had a box to which you connected keypads and two included handsets, and you simply set up the system using a set-up card, he was wowed by the idea and felt that it would make his life so much easier.

"However, at that point I was told categorically that there was no way that anyone could sell a packaged solution like that in the USA but that's exactly what's starting to happen there now. So, the markets have come together and Europe has become more 'custom' while the USA has, arguably, in broadening the market, become more what I call 'structured'. I guess it's the difference between bespoke tailoring and off the peg. We're striving to create solutions that are easier to buy into. One of the dangers with the growth of custom in its full sense is that, to use a car analogy, it's living in the Ferrari and Aston Martin world where, with some of our products, we'd like to take it into the BMW 3 Series world – where it's aspirational but accessible."

Both Abraham and Dexter are acutely aware of the danger of complacency and recognise that even a company that currently dominates a particular market can't assume that it is safe or that its position is assured.

As George Dexter says: "Another point about change



is that in business – no matter what industry you're in – there's always someone coming up and if you don't change they'll overtake you and leave you behind. You have to challenge yourself and force change through if needed: even if you don't change what you're doing you need to examine what you're doing and be certain that you're doing it the best way. Challenge and change are necessary parts of business life today."

Abraham is looking forward to the challenges that changes in the market will present. "Over the years we've been involved in many different areas – you might remember that we've even produced tone-arms – but the real watershed in our direction came at the beginning of the nineties when we decided to focus on cables, performance-enhancing accessories and the multi-room market. Those products will remain the key elements of QED's strategic direction but you can expect to see changes in them to suit the shifting requirements of the market.

"I think we can rightly be described as an innovative company – and I believe we've proved that over the

Above: QED benefits from having its own industrial designer and a highly skilled R&D team



## ARMOUR GROUP PLC

Armour is a public company quoted on the Alternative Investment Market of the London Stock Exchange. Its trading activities are focused in the in-car entertainment and communications market where it is the UK market leader in the design, manufacture and supply of electronic interconnects and fitting solutions.

Its products are marketed under the brands Autoleads, Veba, RM Audio and CTI. The group also act as the exclusive European distributor of the Kicker brand of high-end in-car amplifiers and speakers. In the year to 31 August 2003, Armour had sales of £16.1 million, pre-tax profits of £1.4 million and net cash of £3.4 million.



years. And innovation means leading rather than following. Another thing that we bring to the market is engineering excellence: we have great design team to which we've added considerable design flair in recent years. For example, it's quite unusual for a company of our size to employ an in-house industrial designer.

"Historically, we've also been recognised for offering great value for money and we've also been honoured with bringing credibility to solutions: some years ago I was talking to a customer at a hi-fi show about a new product that we and several other manufacturers had introduced: his attitude was that if QED was making one then that product was clearly worthwhile. In recent times we've been conducting research on new products and the same thing has happened: we've been told that if QED produces a particular solution then that will give the concept credibility."

A visit to QED's R&D facility adds considerable substance to the company's claims. When you see the operation for yourself, it's easy to appreciate Bob Abraham's concern that "many of our customers are completely unaware of the depth and scope of our product design capabilities." While touring the department I spoke with several of the engineers and was impressed by their zeal and the lengths to which they'll go to ensure that even a mundane product 'does exactly what it says on the tin.' A typical example was the engineer designing and testing a TV coax connector – both with sophisticated computer modelling software and practically with conventional test gear – to ensure that its impedance perfectly matched the cable to which it was connected. This might appear to be a little too much effort for product as humble as a lead to connect a TV to a set-top box but a practical demonstration of the difference between a regular cable and the QED

equivalent rapidly dispelled any such notion.

Perhaps more outwardly impressive was the CAD software used in the visualisation, design, and manufacture of both prototypes in the form of stereo lithographic models and full production metal and plastic components. Similar software is employed to design and generate 3D visualisations of circuit board assemblies prior to manufacture – there's little point in designing a circuit that works if it can't be successfully mated with the enclosure that's going to accommodate it.

Unfortunately, any description of one of the most fascinating projects that I saw has to remain 'under wraps' until the products are ready to be launched next year. A demonstration of the efficacy of one prototype, however, suggested that the project will command a lot of interest when all is revealed.

I am, however, permitted to say that QED will introduce some 20 new cable and performance-enhancing products in 2004 and that these will be "both innovative and highly saleable."

While recognising the necessity to out-source some manufacturing, the 'new' QED will retain and expand its own in-house manufacturing facility, which it regards as essential because "without it we wouldn't have the same degree of flexibility or capability, in some instances, to deliver products as and when the market requires them." While it is becoming increasingly difficult to manufacture in the UK, QED will continue to do so where it's appropriate for, as George Dexter adds "the right reasons and not just as a matter of principle."

As far as QED's retailers and installers are concerned, dealing with the company it will be a case of business as usual but with enhanced development of existing product lines and, Abraham promises, "products that will drive the market forward."

# QED

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## SYSTEMLINE MODULAR

Designed to be the most flexible, scalable, high performance multi-room system in the marketplace – specifically for new-build homes – Systemline Modular uses standard, commodity, UTP CAT-5 cable throughout, removing the need for any specialist speaker or data cables. It further provides true hi-fi performance thanks, to a great extent, to QED's unique amplified in-ceiling loudspeaker, the ALM2, which matches the amplifier perfectly to the drivers to extract the best performance possible.

This modular approach also facilitates a local (to the zone) input, which is becoming increasingly important. The local input is not restricted to stereo – it can be configured as a six-channel input and so provide genuine 5.1-channel sound, which makes Systemline Modular the only universal multi-room system that can seamlessly switch between a multi-room audio source and local home cinema sound.

The first phase of Systemline Modular will ship in early 2004 with further new and innovative products, which will dramatically expand the capabilities of the system, being introduced over the following 12 to 18 months.

## LOCATION, LOCATION, LOCATION

QED currently operates from two sites: the core business is located at Unit 16, Woking Business Park in Woking while the R&D department, training and technical support facilities, and graphics department are housed at the company's original premises a few minutes' drive away in Lightwater. This will all change in January 2004, when the entire business will be consolidated "under one roof" in Woking, with the acquisition of Units 13 and 14 at Woking Business Park.

The three units combined will provide QED with an 18,000 square feet facility. The company plans to use the additional space not only to meet its much-needed requirement for increased warehouse and manufacturing space, but also to improve facilities for both its staff and customers.

It plans to incorporate a new training facility, demonstration rooms and a museum area. It is anticipated that the move will be completed by mid 2004.