

# THE MANAGEMENT PAGE: Small Business

## Hitting a high note in hi-fi

Raymond Snoddy on how a UK amplifier maker is taking on Japanese competition

WHEN Michael Creek unveiled an amplifier for the specialist hi-fi market early last year for sale at only £99—the reception was a little discordant.

Praise for the sound quality was mixed with disbelief that a British company could get its price so low and with coolness towards a price-cutting gate-crasher in an arcane established market.

"They said we'd be bankrupt in three months. If Japan and Taiwan couldn't do it that cheaply how could a British company?" says Michael Creek, 30-year-old managing director of Creek Audio Systems.

Sixteen months later the company run by Creek, his wife Susan and brother-in-law Ian Wiggington from the back bedroom of a semi-detached house in an outer suburb of North London is far from bankrupt. This, is thanks largely to a policy of tight financial management which includes Creek giving no credit to customers—a bold move at the outset but one which is paying off handsomely.

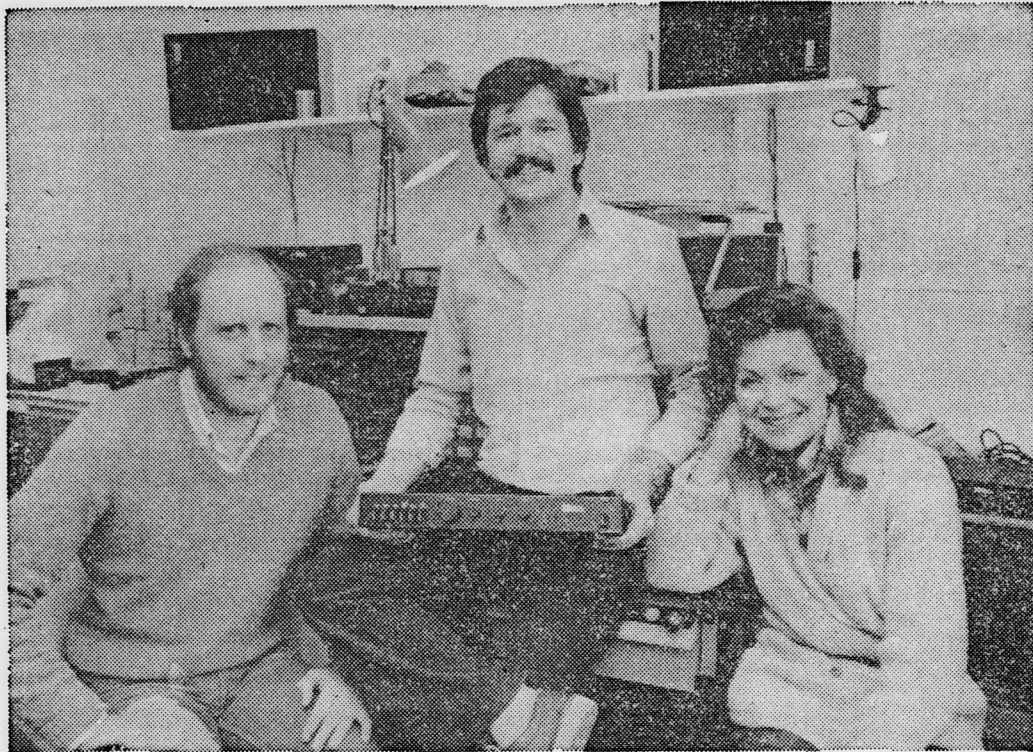
The initial three amplifiers taken to a hi-fi exhibition in February 1982 have turned into sales of 750 a month—and are still priced at £99. More than 40 per cent of the output is exported to the U.S., Canada, Australia, Italy, Greece and Austria. The first six are about to leave for Singapore.

Demand for the Creek amplifier is running ahead of the trio's ability to turn it out and an allocation list has had to be drawn up for a dealership list now approaching 100. Turnover for this year—the first full year's trading—will, Michael Creek believes, be between £500,000 and £750,000 with a net profit of 25 per cent.

By September he hopes to be producing 1,000 amplifiers a month plus 500 tuners—a new product to be introduced next month.

And as a small accolade Popular Hi-Fi magazine has chosen a Creek amplifier for the system it is offering as first prize in a competition for readers.

The magazine describes the product as "a gem of an amplifier" and adds: "We had initially been a little put off by some less than glowing reports we had read but these turned out to be unfounded in our view and at £99 with a perfor-



Roger Taylor

In tune in the hi-fi market (l to r): Ian Wiggington, Michael Creek and Susan Creek

mance that to our ears beats the NAD 3020 (the main opposition manufactured in Taiwan) by quite a margin."

Creek is able to compete with the Taiwanese and Japanese opposition because of a deliberate intention to design a product that gave good general performance and didn't cost a fortune, combined with very low overheads.

Design, planning and final testing are still carried out in the back bedroom office and the manufacturing is sub-contracted out to a small electronics company in Romford, Essex.

Electronics has always been a part of Michael Creek's life. Before he was ten he was wiring up a Wendy house with electric light and rigging up intercoms between the garden shed and his bedroom.

His father, Bob Creek, set up his own company, Wyndors Recording, to manufacture tape recorders in 1950 and developed it into a general audio company serving the High Street retail and mail order market. It went into voluntary liquidation in 1980 after a long unequal struggle against imports.

When he left technical college Michael started working for

his father as a storeman from 8 am to 5.30 pm.

He moved around most jobs in the company, including running the buying department—that was where he met his wife who was then his deputy—before leaving to set up on his own as a consultant.

The incentive to start designing and manufacturing his own products came in September 1981 when his then employer, a specialist hi fi supplier at the top end of the market, decided it no longer needed his services.

His father's experience, combined with a natural distaste for what he calls "technoflash"—lots of chrome, functions and flashing light rather than quality of sound—took him towards the specialist hi-fi sector where Britain's international reputation is high. Michael Creek took the last amplifier produced by Wyndors Recording, redesigned it and made it smaller and much more powerful. He decided to take the risk of buying enough parts to make 100 amplifiers, putting his house on the line as ultimate guarantee of the bank loan.

Orders started trickling in three and four at a time after John Palmer, a freelance sales-

man, started representing Creek in the North of England. Then an order for 10 a month came from Liverpool and demand was already outstripping supply.

The amplifier is put into hi-fi systems by dealers—British manufacturers of turntables such as Rega and speaker manufacturers such as Mordaunt-Short.

Orders are now rising rapidly, but Michael Creek believes his financial prudence will ensure the business does not become over-extended. Where possible he insists on cash before delivery of order—both for UK and overseas orders. Where this is not legally possible he uses pro-forma payments or confirming houses. To date he has managed to work within a maximum £20,000 overdraft.

As a small concession to the growth of the business, however, Creek Audio Systems will next month move from the back bedroom to a more orthodox office.

The company will be using some spare space in the factory where Michael Creek first learned about running an electronics company and where his father—at the age of 60—has started up again manufacturing electronic security alarm systems.