

When Assets Speak Louder Than Cash

An Interview with Alan S. Elkin, Chairman and Chief Executive Officer, Active International, Pearl River, New York

EDITORS' NOTE Prior to founding Active International, Alan Elkin held several senior positions within the broadcasting industry, including senior vice president of sales for Katz Communications; general manager of Seltel, a firm selling commercial television time; and executive vice president of broadcast services for Media General. In addition, he has served as president of the Corporate Barter Council of the International Reciprocal Trade Association, and has sat on its board of directors for the past 11 years. In 1999, Elkin was inducted into the Barter Hall of Fame and was awarded the Entrepreneur of the Year award by Ernst & Young. A native of New York, Elkin received a B.A. from Brooklyn College.



Alan S. Elkin

COMPANY BRIEF An employee-owned company founded in 1984, Active International is the world's largest corporate-trading firm, with headquarters just north of Manhattan in Pearl River, New York, and offices in 17 countries in North and South America, Europe, Asia, and Australia. Through the use of a trade credit, which is its proprietary currency, the company enables clients to sell their under-performing assets – including excess inventories, real estate, and capital equipment – at a value much higher than the cash market would yield. The trade credits are then used to offset the cash required to acquire media, goods, and services. The company reported gross trading volume of \$1.2 billion in 2002.

How difficult is it for new clients to understand corporate trading?

Our industry has changed over the years. Corporate trading today is a unique financial transaction, one that many companies have not participated in. For those companies that have had experience in barter, the type of transaction they find now is quite different from what they experienced in the past. Because of that, we have a challenge to not only make sure that companies clearly understand the value propo-

sition of the transactions we present, but also to make sure they know the difference between the corporate-trading industry of today and the barter industry of the past.

Is your business focused on certain sectors?

No, our business crosses over all industries. The fact is, 85 percent of all new products fail at retail, which means that there is an enormous amount of product obsolescence. In the past,

the lifecycle of a particular product might have been two or two and a half years, while today that life cycle might be no more than nine months. Therefore, the need to create a benefit from a product that is not only likely to fail, but fail quickly, is more important than ever before.

Is corporate trading understood more in the U.S. market or abroad?

Corporate trading is becoming widely accepted all over the world. Seeking ways to maximize the value of assets is important in every marketplace. We've seen our business in South America, Europe, and Asia continue to grow dramatically.

Are your services and products consistent from country to country?

Yes, they're quite consistent, because products' life cycles are usually similar in every country. Multinationals operate all over the globe and we see the same trends, regardless of location.

Active is the largest corporate-trading company in today's market. Do you worry about growing too big?

We certainly try to manage our growth. One of the key challenges in any growth process is transporting knowledge and information around the globe. The further you get from Rome, the less Roman you are, so in order to maintain consistency you have to stay in touch with all branches of the operation. Thanks to the Internet, we're able to communicate in an effective and efficient way. None of our executives leaves home without their Blackberry. We believe that if we manage the information flow to all parts of our company, we can manage our growth.

Corporate trading is not a particularly well-known industry. Are you able to attract the talent you need?

For close to two decades now, we have followed the same philosophy in our recruitment: to find the best talent in the areas where we provide service, like media, printing, travel, business services, finance, sales, marketing, and so on. Then, our challenge is to teach those experts about corporate trading. That's why we developed Active International University, where we hold seminars on a curriculum basis. We know our people are experts in their fields; it's our job to make sure they are experts in corporate trading.

How important is corporate citizenship to the company?

We take it very seriously. I believe strongly that corporations should give back to the communities in which they operate. Several years ago, we created Active Cares, which helps us play a role in the communities where our employees live. It's an interesting program, because it involves the company supporting those charities and organizations our employees are involved in. Any employee may request that we support a charity, organization, or community-based program, and if it meets our criteria, we gladly support it – financially and otherwise. This system has turned out to be extremely rewarding for the entire corporate family, as we have participated in literally hundreds of activities.

In founding Active International, were you able to foresee how large the company would become?

I knew that the company would grow, but never in my wildest dreams did I think it would become the size that it is today.

Has it been difficult for you to maintain personal contact with clients?

I work at it, but time constraints and distance make it extremely difficult. I believe that we could lose something if that personal contact slips away. However, we have great people who have taken on some of my responsibilities in this area. When I can, I still love to get my hands on the day-to-day stuff. I go out and sell with our sales executives, and I have fun doing it. ●

The Value Proposition in Corporate Trade

An Interview with **Fredrick Fuest**, Chief Operating Officer, Active International, Pearl River, New York

EDITORS' NOTE Before assuming his current post, Fredrick Fuest served as executive vice president of Active's international operations (1996 to 1998) and as senior vice president of the same division (1995 to 1996). Prior to joining Active, Fuest was with the pharmaceutical giant Hoffman-La Roche for 25 years, where he served as chairman and CEO of Roche Professional Services and president and CEO of the Roche subsidiary Medi-Physics. Fuest earned a B.A. in physics from Drew University and an M.S. in environmental science from Rutgers University.



Fredrick Fuest

How has the economic downturn affected Active's business?

During all periods of economic slowdown, Active's business is impacted positively because of our ability to help with slow-moving inventories and assets that have lost their original value. We've seen a significant upturn in our business during the past 18 months. However, I must say that through the good economic times of the '90s, Active's business also grew significantly.

How broad is your market?

Wherever there has been a decline in the original wholesale value, in the case of inventory, or book value, in the case of real estate and other capital assets, Active can restore that value. Of course, there are certain industries that lend themselves to our services more than others. For example, there can be greater inventory issues in the electronics industry because of the rapid obsolescence of products and their frequent replacement by new ones. The fashion industry also suffers from inventory issues due to the ephemeral nature of styles. And, of course, firms that sell dated goods – like food, beverages, and over-the-counter pharmaceuticals – also benefit from our services. As these products approach their use-by or expiration dates, their value begins to drop precipitously.

Can you briefly describe the ac-

quisition process, and explain what you do with the goods you buy?

Before closing a transaction, we discuss with the seller what restrictions need to be placed on the resale of the goods in question. While there tend to be more restrictions with branded items, no seller wants his goods showing up in the same primary outlets or distribution channels as certain lines. To ensure this doesn't happen, our remarketing department has developed a wide array of outlets for the goods we buy, including traditional liquidators and major retail chains. This allows us to be quite flexible and work effectively within our clients' restrictions.

With what level of a firm's hierarchy do you generally do business?

We typically work at the CFO or CEO level, except at the largest companies – the *Fortune* 500 or 100 – where very often we'll work with a division president, controller, or major-product manager.

Has corporate trading taken off in other parts of the world? Is there a clear understanding of its value?

Corporate trading is clearly a global industry. We've expanded our business into 17 markets around the world, and have a significant presence in the U.K., France, Germany, Canada, Mexico, and Australia. In fact, we are the dominant player not only in the United States but virtually everywhere in the world. Active has proven through its U.S. and international clients that significant value can be realized by choosing corporate trade over other disposal alternatives. The value is real, and the growth of our global business is proof of that.

Is your message consistent from country to country? How close is the coordination between your offices around the world?

We've stuck to our model very strictly, and it works in every market we enter. Certainly we are aware of local cultural and financial issues, but the basic model is consistent. We have very close coordination between our offices, which include quar-

terly face-to-face meetings between our managing directors, regular video conferencing, and an extensive database. Additionally, many of our clients are global customers and we work with them in several countries, requiring close coordination of our activities. Active is able to acquire an under-performing asset in one part of the world, to remarket that asset in another part of the world, and to utilize the trade credit for the client in yet another part of the world – all seamlessly.

Has the Internet played a major role in the way you deliver services?

Not really. When the Internet boomed in the late '90s, we looked very closely at how we could use the new technology to do business. Then the dot-com bubble burst, so we considered ourselves fortunate that we hadn't changed our business model to fit into the Internet. The Internet does play a valuable role in our business, though. For example, we've developed Web pages that allow our clients to access a variety of our services, including travel, premiums, and some business services. Additionally, we've used the Internet to remarket some of the assets we've acquired.

Are you happy with the talent Active has been able to attract?

Absolutely. Not only do we attract people from a lot of different industries – finance, real estate, travel, media – but we tend to attract the best these industries offer, since our business requires an extra dimension of talent and provides a unique opportunity for people to utilize their skills in a different way.

Has your tenure at Active lived up to your expectations?

My career at Active has far exceeded what I envisioned was possible. When I joined Active, it was still an entrepreneurial company vying for position in a poorly defined marketplace. It has grown dramatically since that time and has become a large corporation while still retaining the entrepreneurial spirit and passion that built it. Active is the leader in this industry today, but I know now, more than ever before, that our potential for growth and success has no limit. ●

Borderless Win-Win Value

An Interview with Barry M. Green, Executive Vice President,
Sales and Marketing, Active International, Pearl River, New York

EDITORS' NOTE Prior to joining Active International, Barry Green served as assistant managing director of Deerfield Communications, a corporate-trading company based in New York. He was previously vice president of field operations for the American Consulting Corporation, where he led field-marketing operations for the Gatorade division of Quaker Oats. Green holds a B.S. in industrial psychology from George Washington University.



Barry M. Green

competing in your industry are no longer in the business. How has the industry changed in recent years?

The industry's landscape has changed quite a lot, and most of the changes have been favorable to Active's growth for a variety of reasons. One is that all the corporate-trading companies operating right now are viable companies. That helps us, because

when the industry is doing well, we also benefit. Over the last couple of years, that's definitely happened.

Have you seen strong growth in certain world markets?

Yes, we have seen dramatic growth in the last few years in certain markets. We're at the tip of the iceberg in Mexico and Germany. There's been dramatic growth in France, the United Kingdom, and Canada, and we've also done very well in Australia.

How close is the coordination between Active's offices in different countries?

Very close, although it's not always easy because of the different time zones. However, globalizing our strategic approach with respect to managing our clients is a tremendous way for us to grow. Being able to give a trade credit to a company in one part of the world and enabling it to use that credit in another part of the world exponentially increases our ability to grow.

How hard is it for companies to understand the value of your services?

In order for them to understand the value we provide, companies need to become comfortable with the concept. We have to explain the financial model, which involves the client, the vendor, and Active all potentially benefiting. First, we try to get clients to understand how the business works: how Active is able to create leverage, and how both they and their vendors can benefit. Our relationships usually begin when a company has a

problematic asset that it wants to sell at a greater value than the cash market is willing to pay. Active often starts out as the medicine used to cure that problem, but our aim is to become the food that a company uses on an ongoing basis to maximize the sales of its impaired assets. Last year, about 70 percent of our revenues came from companies that had used our services in previous years. Our ability to grow domestically and worldwide depends upon our ability to generate repeat – and therefore predictable – business, as well as develop new client relationships

Does technology have a major impact on your business?

We've invested a lot of money in technology. We have state-of-the-art systems that align with our clients' systems, so that our transactions are seamless and don't involve extra work for our clients or their agents.

Our objective is to make it easy for our clients to work with us. Having a worldwide, compatible system built with the most up-to-date technology is critical to achieving that.

Have you been happy with the talent you have been able to attract?

Absolutely. Because of the rapid growth of our industry, as well as our business, we have been able to attract high-quality talent. That wasn't always the case. Ten years ago, for example, we were the ones trying to convince high-level talent with successful careers in other industries to work at Active. Thankfully, that's no longer the case.

We're always in need of good people in all areas of our business. The product that companies ultimately buy into is those people. In order to succeed in this business, people need to have qualities that are not often found in others. Specifically, they must be natural entrepreneurs, but they must also be able to work in very structured corporate environments. They must be able to flourish while working with a wide array of people in a variety of situations. It's always a challenge to find the right combination of those qualities. ●

The downturn in the global economy has created challenges for many companies. How has it affected Active?

Our business is typically connected to the existence of impaired assets and excess or unused capacity. In other words, it relies on a commercial real-estate market that isn't going great and inventories that aren't selling fantastically at the retail level. We find our sweet spot when things are neither very, very good nor very, very bad, and when they are beginning to get better. However, the economy has to be healthy enough for manufacturers to have the cash to introduce new products and purchase services through us, which is how they use our currency.

Is your client base focused on any particular industries?

No, it's very broad. There are industries that are more conducive to doing business with Active. Consumer manufacturers and consumer-services companies – particularly in the electronics, computers, housewares, hardware, food, pharmaceuticals, cosmetics, automotive, and retail sectors – are examples of firms with which we do a lot of business.

How high up do you work at the client level?

It typically depends on the size of the company and the decision-making matrix. For example, in some companies we work with brand managers, while in others, we might deal with the corporate controller, the president, or the CFO.

Many companies previously

From Videos to Vintage Wine

An Interview with Robert A. Wilson, Senior Vice President,
Merchandise Sales, Active International, Pearl River, New York

EDITORS' NOTE *A graduate of Manhattan College with a B.S. in business, Robert Wilson has spent the last 11 years with Active International, joining the company in 1993 as a department head. Prior to that time, he served as the international sales manager of Ironess Corporation, and earlier as a regional sales manager for Maytex Mills. He assumed his current post in 1997.*



Robert A. Wilson

How is Active's growth affected by the economic climate?

Usually our business does better in a bad economy, because so much less merchandise gets sold through traditional retailers when times are tough.

How difficult is it for Active to differentiate itself in the corporate-trading market and show what makes its services unique?

It's not too difficult. I think one of our main differentiators is that we offer a lot of different solutions. In addition, we have a very open system. For instance, we are happy to let the manufacturers we work with know exactly who is buying their products. We even tell them the prices if they would like to know. In fact, to ensure there is full disclosure, the contracts can be written in such a way that the manufacturers ship the products to the buyers themselves. That way they can be sure the products are going to the buyers we told them they would be going to.

Could you highlight one of Active's key product areas?

The VHS market is huge for us. All the major studios are now looking to move their entire VHS libraries to DVD because so many more people are buying and renting DVDs nowadays. In fact, a lot of the major national retailers have announced they are no longer going to be carrying VHS, and that has started an onslaught at the retail level.

Active is a global player, but is your focus predominantly on the U.S. market?

No, we are totally global; we're constantly moving products around the world. For example, last year we sold 240,000 cases of wine that were on three continents where they weren't allowed to be sold. So we moved them. Our partner offices worked with us to do on-site inspections of the inventory and to help us qualify the merchandise as saleable. Then these 240,000 cases went from Australia, the United States, and the United Kingdom to Eastern Europe, Africa, and South America.

How close is the coordination between Active's different offices around the world, and are your services delivered in similar ways from country to country?

Yes, they are. Take those cases of wine as an example: When the product was in the United Kingdom, my U.K. counterpart went in and took pictures, inspected the stock, and tasted it to make sure it was still fine for human consumption. The same thing happened in Australia. So we operate in a similar manner in all our offices, and there is close coordination between us. Our extensive database allows us to share information on merchandise-sales resources, wholesalers, retailers, and distributors globally so we can coordinate our sales efforts. We are constantly buying inventory in one country with a trade credit and reselling that merchandise in other countries for cash.

What are the key sectors for Active's remarketing department?

We are usually prohibited from selling to mass merchants and to most department stores. Consequently, our key sector is the closeout retail dollar-store chains, which have been growing in leaps and bounds over the last couple of years. That's the fastest-growing retail sector there is.

What about Internet sales?

Right now, we sell to a couple of Internet e-tailers. A few years ago we were doing a lot more business in that area, but

then the economy shifted and a lot of the e-tailers we worked with went out of business.

Within your client companies, what level of executive do you usually work with when developing a productive relationship?

We usually interact with the very top echelon of every company.

The fact is, these are not deals that can be orchestrated on the retail level by a buyer because of the magnitude of the deals in question.

Is it difficult for Active to communicate the value of what it does?

We usually sell to executives who know exactly what we do and how we do it. In those cases, we don't have much explaining to do. It's a different story when we get an esoteric inventory and have to go out and find a new channel of distribution. In such cases, we sometimes find ourselves having to educate the buyer.

For instance, we did a Freightliner truck deal about four years ago, in which we sold eight Freightliner trucks. We had to go out and find truck dealers who would be interested in buying those trucks from us. Every dealer we approached asked, "How did you end up with these?" Then we had to go through the entire story.

How difficult is it to attract the talent you need, given that most young people might not be aware of the corporate-trading business?

It has been very easy because this is a very exciting business. In today's retail market, all the space is up for sale. No matter what your relationship is with them, retailers will pit you against your competition and work both sides of the table in order to get the best possible deal.

In essence, they're selling real estate: If you want four feet of shelf space, you're going to have to pay for it. However, we respond by saying, "Here's the product and this is our price. If you don't want it, fine - we'll sell it elsewhere." Everybody I talk to about what we do finds that very exciting. ●

Not Too Good To Be True

An Interview with Alan Brown, Executive Vice President,
Worldwide Media, Active International, Pearl River, New York

EDITORS' NOTE A 22-year veteran of the corporate-trading industry, Alan Brown has served in a variety of positions throughout the sector, including senior vice president and director of media at Admerex. The recipient of a B.A. in English from the State University of New York at New Paltz, Brown joined Active International in 1988 and assumed his current post in 1994.



Alan Brown

they give us the option to buy future inventory at a discount below the marketplace. Together we manage the use of the inventory within our client base. We do not broker or discount the time.

You provide a service that seems to make sense for companies because it creates a win-win situation. Nevertheless, do you find that some companies are a little suspicious about the corporate-trading model?

Yes, it's sometimes a challenge getting our message across. The words "trade" and "barter" can describe many different types of transactions, so they conjure up a million different images. So right off the bat we're dealing with perceptions that have little to do with the services we offer. If we're buying the distressed inventory of a company, there's an assumption that somehow what that company receives in return will also be distressed. Likewise, there are implications that the client will have to compromise its marketing objectives, or will end up overpaying. A prospective client can jump to many negative conclusions that actually have nothing to do with the product we offer and the way we structure our transactions. After all, we invest our own capital, and we'd never invest our own capital if the product were either substandard or subject to preemption. The trade credit we use as currency represents a small portion of the transaction, and the larger cash portion is not paid until after the client receives the services. Why would we put our money at risk and invest in products that, ultimately, our clients wouldn't pay for?

Another perception we have to deal with is the fact that our service is often categorized as "too good to be true," largely because it solves a problem that was previously perceived as unsolvable. Companies tend to be suspicious of a service that claims to restore value to an asset that has lost its original value. Then they fall back on the old adage that when

something sounds too good to be true, it usually is. Our challenge is to cut through all the misconceptions, and then create a contract that protects our clients.

Does Active possess the same media capabilities globally?

The core product is consistent, and Active is not only the major player in this industry; it's also a very well-represented brand on a global level. However, we also recognize that each country has unique differences ranging from different tax laws to different regulations governing the media. As a result, we adjust to local differences, but the underlying product is the same no matter where it is offered.

Our top-10 ranking, as reported by *Advertising Age*, within the media-specialty category is a testament to our international success. The ranking is based on worldwide billings and our international growth has pushed us into the top 10. We have made major inroads into the top media companies around the world, including Carlton and Granada Television in the United Kingdom; France 2, 3 and 5 and TF1, also in France, Televisa in Mexico, and the Ten Network in Australia. We also have penetrated the magazine, newspaper, and out-of-home industries in all our markets.

Did you ever imagine this industry would take off in the way it has?

I had a good feeling about the validity of the product, even though some businesses were a little skeptical about the transaction model. Other companies in this industry didn't dream as big as Active, and as a result, they didn't take the business model as far as it could go. They were satisfied with being small players, making small transactions. On the other hand, I always believed in the potential of corporate trading. When I came to Active 15 years ago, I joined a team that had the ambition necessary to build the company to its current size. At that time, the company consisted of about 30 people, and I was running a media department of 7 people. Now there are 150 people in the media department. Considering that we always had big dreams, I'm not surprised the company has grown the way it has. ●

How much is your business affected by fluctuations in the global economy?

Harder economic times, when corporations have bigger problems, tend to be boom times for Active. Conversely, when the economy is strong, companies make money and sell their inventories, so the urgency to explore alternative avenues to maximize revenue isn't there. Our challenge is getting clients to continue to use the resources we provide regardless of the state of the economy, and we have had success in this area. When times are tough, companies are more motivated to sample our services. Then, when the economic environment improves and they're doing better, they often find they still have some under-performing assets, and they continue to work with us. In fact, they often incorporate our services into their business models to avoid writing down under-performing assets, even in good times.

How have Active's products and techniques evolved over the past few years?

Simply put, we have developed more services to offer our clients, and the media community in particular. The primary value that we bring to the media community is our ability to invest our own capital, unlike the agency model. This can take the form of the goods and services we provide or actual cash. We take a position that makes us principals in the media that we acquire. Basically, we give the media community an opportunity to use our capital, and in exchange, they repay us with their inventory, or

Universal Solutions, Universal Benefits

An Interview with David Gallaher, Senior Vice President,
International Operations, Active International, Pearl River, New York

EDITORS' NOTE After graduating from Rutgers University with a B.S. in chemistry, Dave Gallaher spent 25 years with the pharmaceutical giant Hoffman-La Roche, serving in numerous executive capacities. He joined Active International in 1997.



David Gallaher

Many business leaders have expressed concern about the challenges of today's tough economic environment. Is it fair to say that corporate trading does best in this type of economy?

Yes, I think so. When companies encounter problems caused by increasingly under-performing assets, they look to us to solve those problems, and that inevitably gives us greater opportunities. However, companies face problems in good economies as well as bad. For example, they may have failed product launches or they may need to turn over obsolete products. So even when the economy is healthy, companies come to us to solve their problems.

Have the benefits of corporate trading been fully understood on a global level? And along those lines, has Active experienced strong international growth?

Active's growth in international markets has been remarkable. Specifically, we've been growing at 25 to 30 percent each year, and we will soon be the largest corporate-trading company outside the United States. In each of the markets we operate in, our solutions are universal – and the benefits are universal too.

Do the services you provide apply to all industries, or are you more focused on a small number of specific industries?

Active provides a financial, rather than an operational, solution. Consequently, we are able to provide the same solution to dissimilar companies in completely different categories and asset classes. We have had great success with companies in consumer products, elec-

tronics, food and beverage, and other categories where obsolescence is common. At the end of the day, any under-performing asset in any category provides an opportunity for us.

How important has the travel business been for Active?

The downturn in the travel industry has provided us with the opportunity to solve a number of problems

related to under-performing assets. Our travel partners recognize that our huge client base – built up through our trading relationships with numerous business customers – presents an excellent business opportunity for them. We've seen dramatic growth in our business with the travel industry in the last year or so, and we expect that to multiply as time goes on.

Within your client companies, what level of executive do you usually work with?

The value we bring to our clients, especially on the financial side, tends to be appreciated best at the senior management level, because top executives tend to know what's on the balance sheets and to be aware of the problems their companies have. When we are seeking a strategic partnership that will endure over time, we want companies to buy into the services we offer at a senior level.

Active offers a service that provides a win-win situation to companies in need. What challenges do you come across when trying to convince prospective clients of the value of your products?

Since corporate trading is a relatively new concept, companies are often unaware of what we do. The challenge therefore lies in getting people to think outside the box. They need to forget about the usual way of dealing with under-performing assets – which is to sell them off and take a loss – and approach the problems in a fundamentally different way.

We still run into people who have had negative experiences with so-called barter companies, which naturally makes them suspicious of our business model. In those cases, we try to offer them solutions that not only offset some of their economic losses, but also ensure future economic benefits.

Are you happy with your ability to attract the talent you need? Do you find that young people have a good understanding of the industry?

I think the biggest challenge we've had – and I mean this in a positive way – is making the most of our talent. Because it's been growing so rapidly, Active is virtually an industry in itself. So we have to attract outside talent at the same time as developing it from within, and that is a unique challenge for our business. Attraction is not the main concern, because young people are tremendously attracted to the company.

Our bigger challenge is training and developing new people in this rapidly growing business. There are always a number of growing pains that need to be overcome. In my view, this is a good problem to have. And I believe that talent will always come our way, because this is an exciting business.

You joined Active in January 1997 after a long career at the pharmaceutical company Hoffman La Roche. At that time, what excited you about working for Active, and have your expectations been met?

Even after six years, I continue to be amazed by what a wonderful business this is. It is totally different from the multibillion-dollar, big-company experience, not least because it is a completely service-oriented business. In the beginning I recognized the almost unlimited potential for growth, profitability, and return-on-investment offered by this business model, and I still see that today. Every day we find new ways to solve our clients' problems, and the creativity involved in that process is one of the most fulfilling aspects of working for Active. It is a problem-solving, solutions-creating business, and I am excited by that every day. ●

Actively Serving the World

EDITORS' NOTE *A truly global company, Active International operates in more than a dozen countries around the world, with each regional office contributing to the company's overall value proposition. But how do the regional corporate-trading markets differ, and, more significantly, how do the weaknesses in one leverage off the strengths in another? LEADERS Magazine asked a number of Active International's regional leaders to explain the dynamics of their particular markets, and offer their predictions for growth in an increasingly competitive environment.*



WILLIAM SCHACHTER
*Senior Vice President,
European Operations*

Prior to assuming his current position, Bill Schachter served as Active's senior vice president of international sales. After earning degrees at the University of Rhode Island and Pepperdine University, he served four years in the U.S. Army – notably in Vietnam – and was ultimately promoted to the rank of captain.

What is your forecast for Active International's business growth in Europe?

Corporate trade has been increasing steadily throughout Europe, and Active has experienced steady and sustainable growth. Our client base is growing and it currently consists of a solid list of major European companies. Given another encouraging trend – the remarkable growth of the size of our transactions – we are very optimistic for the future of Active's European operations. The key to our continued success is our ability to consistently deliver value to our clients, media partners, and vendors, as well as the agencies with which we work.

Which industries present the best opportunities for growth for Active International in Europe?

The real estate industry presents

some significant opportunities for Active in certain key European cities, and we are experiencing a lot of activity in the automobile industry, as well as in electronics and food and beverage. However, our services are both deep and wide, and span most industry groups. The fact is, as a corporate trade company that provides financial solutions, we can serve almost any industry, in almost any scenario.

Some people find the benefits and processes of corporate trading difficult to understand. Can you provide an example of how corporate trading has benefited one of Active International's European clients?

A leading U.K. retailer needed to discontinue a private-label brand of product that was in its stores. However, in attempting to do so, it ran up against a number of problems: First, the private-label product inventory was taking up significant space in the distribution centers. Second, the company knew that if it pulled the inventory off the shelves and repackaged it, some of the value of discontinuing the product line would be lost through handling and repackaging costs. Third, the POP [point-of-purchase] displays in the store were capitalized and not fully depreciated, and they would just take up space in the stores once the inventory was finally sold and dispersed. So the retailer knew that if it shut the brand down without finding a buyer for the POP displays, the value of those displays would drop to a very low percentage of their original value.

So Active came up with a solution: We bought the entire line at cost, giving the retailer trade credit to the value of the merchandise, which guaranteed no further loss to the retailer. Our plan for the disposal of the merchandise and POP displays was approved by the retailer and met all of its needs. The inventory was cleared within 15 days to a buyer located by Active. We arranged for the discounted sale of the store inventory by the retailer to lessen handling loss, and paid the retailer a 30 percent cash commission to handle the merchandise for Active. That 30 percent commission was

in addition to the full cost value of the merchandise that the retailer previously received in trade credit. Finally, within 60 days, we disposed of the used POP display equipment, selling some of it to a combination of small retailers and turning the rest over to a disposal company. The retailer controlled the exit of the brand, freed up distribution space to prepare for the launch of a new brand, and received a greater value for the now defunct brand than it had expected. Furthermore, we disposed of those fixed assets on a date that was decided in advance, which enabled the retailer to carry out further planning. This is just one example of how Active solves its clients' problems, in Europe and around the globe.



JORGE GONZALEZ
*Managing Director,
Mexico*

Jorge Gonzalez has spent his business career in marketing and advertising, with a strong focus on finance. He has served many international companies based in Mexico and Central America, and has held management positions at General Motors, Nestlé, Lipton-Lawry's, and IBM. Gonzalez has been managing director of Active's office in Mexico for the past eight years.

What has been corporate trading's impact on the Mexican market, and what specific opportunities have Active's services created for that market?

Corporate trading has presented a new, different, and very dynamic way of doing business in Mexico. Given the characteristics of our changing economy, it has enabled companies to obtain full value for their under-performing assets at a time when it is difficult to do so. Also, our services decrease our clients' expenses. Furthermore, corporate trading has been used by some of our clients

as a marketing tool to reach new markets at a more controlled level of risk. Specifically, they are able to approach new markets without spending any cash, per se.

In the beginning, most Mexican companies thought corporate trading was a very strange way of doing business. Nevertheless, today we are seeing more and more companies taking advantage of the

satility we need to be very well connected with our colleagues throughout the rest of the world. We are able to stay connected through an extensive network of systems that are implemented and coordinated by Active at the corporate level. This connectivity and the integration it facilitates have provided us with a broad reference on the benefits we provide our clients. Active's international

country is home to many large international companies and several well-established midsize companies. All of them are potential clients for Active going forward. Accordingly, we are certain that the business we enjoy today is only a fraction of what we can eventually achieve in this market.

As for particular industries, we expect to experience growth across all industry lines, but particularly with the German subsidiaries of companies that are already Active clients in their home countries.

How has Active's international network of offices been of benefit to the company's business in your region?

To give a specific example, a leading manufacturer of household cleaning products, a subsidiary of a German-based company, is conducting business with us on a worldwide basis. The company can open its product line to new channels of distribution and utilize its trade credit internationally, which speeds up the usage of the credit. In this way, Active's international network helps my particular regional operations develop our client base with greater speed.

Our clients understand that Active International, as a truly international partner, can do a lot more for them in terms of utilizing trade credits than our more regionally oriented competitors. Each geographical market is different, and a global player like Active can provide the necessary expertise in each different market. Our history of recovering full trade-credit value for our clients is the clearest argument we can make for using our services. It's proof of our effectiveness.

Active International Offices



opportunities corporate trading presents. Thanks to this increased interest in our services, we have experienced an average business increase of 20 percent or more with each passing year.

Will Active's future growth in Mexico be driven by any particular business sectors?

Most of the industries we work with are demonstrating a tendency toward growth, due to the parting of the dark clouds over the general economy. We deal with many different kinds of inventories and specific needs across industry lines. We have resolved, and will continue to resolve, each of our clients' problems with tailor-made solutions. We expect to see significant increases in our dealings with the real-estate industry, as that sector is now beginning to utilize corporate trade more frequently, as well as with Mexico-based companies, which would benefit from Active's unique ability to move products into new markets.

What benefits do Active International's clients derive from the network of offices the company operates around the globe?

One of the greatest benefits our clients enjoy is the ability to transfer elements of their transactions to different geographical areas around the world. For example, inventory that was bought in the United States can be sold in Eastern Europe. Then the proceeds from the sale can be used to place advertising in Mexico, Ecuador, Venezuela, and so forth.

Of course, to ensure maximum ver-

network of offices is a vehicle for the betterment of our own processes, which have already proven their success, as well as a key illustrator of the variety of solutions we can provide our clients.



HELMUT JOST
*Managing Director,
Germany*

After completing his electrical-engineering studies at the University of Giessen, Helmut Jost served in various positions with Commodore Computers, culminating in his appointment as vice president of the company's international operations. He has also served as a member of the board of directors of ESCOM AG, director of the PC division of IBM Germany GmbH, and vice president of Fujitsu-Aquarius Europe.

How established is the corporate-trading industry in Germany, and how much of a presence does Active have there?

Corporate trading has enjoyed a presence in Germany for quite some time, and Active International has been operating in the market since May 1999. Nevertheless, the German corporate-trading market is not very well developed, and Active has only two visible competitors. Germany's economy is one of the strongest in the world, and the



GARY KEARLEY
*Managing Director,
Australia*

A graduate of Manchester University in the United Kingdom, Gary Kearley joined the media department of Young & Rubicam Advertising (Y&R) in London where he perfected his craft and eventually assumed the role of media director of Horizons Media, a Y&R subsidiary. In 1987 he transferred to Australia to take up the position of national media director, and in 1992 was named managing director of Y&R Sydney. Kearley joined Active in 2002.

Has corporate trading had a large impact in Australia?

The corporate-trading market in Australia is still in its infancy, and Active is the only corporate-trading company currently in operation there. Our main challenge is to create awareness for our services and educate prospective clients about the ben-

efits of corporate trading. Each successful transaction that we complete has a geometric effect on our growth prospects, because it generates word-of-mouth referrals. With that in mind, we forecast that our trading volume will double in the coming year.

Do you expect that growth to come from specific industries?

Operating in a nascent trading market, we do not have the benefit of statistical trend data. There are two sectors that have consistent inventory issues. The first is alcohol, particularly pre-mixed ready-to-drink products. The second is the telecommunications industry, which has both hardware and capacity inventory issues that we can help to correct.

As the only game in town, so to speak, you must have a number of success stories to tell.

Yes, we do. One recent example involves the transactions we performed for a multinational feminine-hygiene company. It launched a new product line in Australia, importing the product from sister companies in Mexico and China. The launch was so successful that the company decided to manufacture the product locally, leaving some \$400,000 of foreign-packaged product in its warehouse. The



client had intended to scrap the product, but Active became involved. We issued a trade credit for the full value of the product and were contracted to remarket the product outside Australia. With the help of Active's international network, we located a buyer in the United Kingdom, and within 12 months, the client had used its trade credit to buy incremental television advertising exposure, which enhanced sales. Active is currently concluding a transaction on a new parcel of inventory for that client.

That anecdote highlights the importance of Active's international network of regional offices.

That's right. Active's worldwide net-

work is certainly a major asset to our local business, particularly in finding buyers for inventory that needs to be exported – a common example – or in spending the trade credit of our Australian clients whose major expenditures are overseas. For example, we recently completed a sizeable transaction for a client wine company. We remarketed its product outside 113 restricted countries, and then helped it use its trade credit to replace part of the cash spent on advertising in the United Kingdom and the United States. Without our international network, that transaction would not have been conceivable, let alone successful.



WILLIAM V. McFARLAND
Managing Director, Canada

William V. McFarland is the managing director for Canada. He is responsible for the development of new business, while supporting existing clients throughout the Canadian provinces. Prior to his current 6 years with Active, McFarland spent 20 years in the technology sector, where for 4 years he served as senior vice president of sales for a Fortune 100 company.

How has the Canadian marketplace taken to the concept of corporate trading?

Corporate trading continues to grow in Canada. Active has contacted the companies that best fit our model: those that could benefit from trading impaired assets for media play. Understandably, not every company fitting that description understands corporate trade or is a current client. Therefore, there is strong potential for Active to expand its business in Canada within our core competency. In addition to media fulfillment, there is significant potential for the use of trade credits in other areas, such as printing, travel, etc.

Which specific industries does your regional operation target?

We are beginning to pursue more real-estate prospects, and opportunities in other sectors arise when markets shift. The move from VHS to DVD, for example, presents a window of opportunity for us for a certain amount of time.

How does Active's worldwide operational network benefit your regional operations?

We are able to share information on a continual basis with Active's regional offices that share common ground with our Canadian operations.

That ability is a significant factor in your value proposition to prospective clients. How else are you able to differentiate Active from its competitors?

It's easy to differentiate Active in the marketplace, as we are a Canadian company with a dedicated, local team. We continue to deliver on all fronts and have client references to back up our claims.



DAVID SELIKOWITZ
President, France

An American resident of France for over 30 years, David Selikowitz is one of the few Americans listed in Who's Who in France. Selikowitz formerly owned the American Marketing Company, which introduced the concept of coupon books to Europe. He has been, and continues to be, involved in several charities on behalf of AIDS and breast cancer, as well as political activities.

Has corporate trading had a significant impact in France, and what role does Active International play in the French market?

Up until five years ago, corporate trading had not had an enormous impact in France because it was a relatively unknown concept. But now there is more awareness of corporate trading, largely because of Active's presence and the presence of our competitors in the French market.

I think Active is probably the most respected corporate-trading company in France. We started out by dealing with the French subsidiaries of U.S. companies, and it was through our involvement with those companies that we built our reputation in France. Now the business has blossomed, and our client list includes many of the who's who in the French industry. For example, I'm delighted with a deal we recently signed with the largest department store in France. This firm has no American connotation whatsoever, and neither do some of our other major clients. So our French-based business is growing, and I see huge potential for Active in France.

Is Active's business in France focused on specific industries?

Active's focus is very broad. I have a few favorite industries, such as travel, whose doors I tend to knock on with a little more frequency. But we do business with any industry. We conduct trades with all types of companies, from hotels to shipping firms, from cheese makers to water bottlers, from clothing manufacturers to tabletop-goods companies. You name it, we do it.

You mentioned that there are a number of players in the French corporate-trading market. How difficult is it to stand out from the crowd?

Until two years ago, we were unique in offering corporate trade. Because our model has been so successful, other companies are trying to replicate what we do.

However, there's still one thing that really sets us apart: Not only is Active a truly international company, but it is the international leader in corporate trading. So a client company with excess inventory in Paris can attain a trade credit from us that it can use in New York, Budapest, or Tokyo. Our competition would only allow that client to use the credit in France. Active arranges for international transactions every day. Take, for instance, a leading pharmaceutical company that is one of our clients. Its French subsidiary can use trade credits in New York, and vice versa.

How closely do Active's various regional offices work together?

Each Active office understands the customers of every other office. We regularly find ourselves saying, "We can do something for your client companies here in France." This coordination is extraordinarily important because today's economy is becoming more and more global. I can cite several examples of how our international network has benefited our clients. One that comes to mind is our work with a large Dutch cheese company. We issued its trade credit in Holland, but the company was able to use it in Holland, the United Kingdom, France, and Germany. Recently, the company was purchased by a French cheese company well known in the United States. So now the trade credit, which was issued in Holland, will not only be used in Europe but will also be used in the United States.

Another example is our work with a French water company, which was recommended to us by an outdoor advertising company. The company had a limited cash budget, and it wanted to make it go further. The company agreed to trade water, and because it was already so well known in France, it requested that we sell the product only outside France. However, it still wanted to use its trade credit in France, where most of its expenditures lay. So we took its product and sold it to a chain of supermarkets in the United Kingdom. The U.K. supermarket chain had such success with the product that it now buys that water to sell in its stores. This example shows how we can open up new markets for our corporate-trade customers through our international network of regional offices. That network is absolutely essential to our business, as it promotes future growth for both Active and our clients.



ANTHONY WHEBLE
*Managing Director,
United Kingdom*

Tony Wheble began his extensive career in the marketing, media, and travel sectors in 1985, working for ITV, the United Kingdom's largest independent television channel. He has also served as group managing

director of TV Travel Shop, a marketer of packaged holidays to the leisure industry. Wheble assumed his current position in July 2002.

How much of a presence does Active currently enjoy in the U.K. market, and are you optimistic about future growth?

Yes, I am. I'm very excited by the prospects for corporate trading in the United Kingdom. Active International is now approaching its eighth year in the United Kingdom. That sustained success is a testament to the concept and the business of corporate trading. This is a business model that works. As we add more blue-chip companies to our client roster, I believe an increasing number of prospective clients will be attracted to working with us. In the meantime, we need to spread our business's message further by securing more meetings with prospective clients and telling them about the services that Active offers.

How diverse is the pool of industries you work with in the United Kingdom?

It's extremely diverse. Ultimately, we can help any business that has inventory problems – either tangible inventory problems or, as in the case of telecommunications companies, inventory problems that are less tangible, like an overcapacity of telephony minutes.

In educating your prospective clients about the benefits of working with Active International, do you usually work at the C level or lower down the hierarchy?

We often operate at the C level, whether with CEOs or CFOs. In the United Kingdom, procurement directors are also usually in the mix. It's important that marketing directors and the advertising community fully understand the value of our services. Many marketing directors and advertising types are very good at what they do, but they are specialists, so they may not be as directly impacted by, or aware of, the value we can bring to the bottom lines of their companies. Consequently, it's important that we work with financial directors and CEOs to ensure that the full value of a relationship with Active is understood throughout their organizations, up and down the chain of command.

Active's global positioning is surely one of its key selling points. How does that benefit your clients, as well as your own company?

It's a two-way street. Our clients certainly benefit from our international network, because many of them are multina-

tional companies. We provide services they are familiar with and can trust, and that are effective for their businesses in multiple markets. I think the dynamics of most markets are quite similar. So if a client has difficulties in one market, it will probably encounter similar difficulties at some point in another market. Active is an organization that can deliver solutions across multiple markets. Because of our international network of operations, we can shortcut certain processes for clients as they do business with us in different markets.

On an internal level, having a global organization gives us the ability to share resources, learning, and wisdom. We're able to provide global solutions for our clients when their needs require it, by



Active International showroom

working with partners around the world and not just on a market-by-market basis. Active's ability to do this provides leverage for our clients, and obviously for us too. So there are internal and external benefits to having a global network.

One of the industries Active works with in the United Kingdom is the electronics industry. Can you provide an example of your success in that sector?

We have found considerable success in the electronics industry. One reason is that the sector is changing rapidly in the face of advances in technology. Take, for instance, the move from VHS to DVD software and hardware: The companies that manufacture VHS hardware and software are strong companies and they're performing well. However, their performance is being undermined by DVD technology. The consumer uptake of DVD software and hardware has been rapid. In fact, it has surpassed most growth forecasts. As a result, the purchasing levels of VHS products are diminishing more quickly than people had anticipated, and this presents a problem for the technology companies producing VHS hardware and software. However, it also presents an opportunity for Active International. We can provide solutions that bring monetary value to VHS hardware and software that might not otherwise be able to deliver their full cash value. ●