

Signing up warehouses to the biggest fan club

COSTING THE DREAM

Spotting the year-round potential for temperature control led to the creation of MegaFan Technologies, writes Jamie Oliver

Cheshire-based Garry Stiven has gone from one kind of turnaround business to another.

His previous job, as a consultant with chartered accountants Haines Watts, involved him turning around troubled companies. It was in the course of that work that he came across a distributor of ceiling fans that was in trouble.

"They simply didn't have the enthusiasm," Stiven says. "The wrong people were running it."

But Stiven became interested in the sector and he researched the two companies that manufactured these types of fans in the US. He contacted one in California.

"I said I thought there was real potential in the fans, both for summer and winter usage, and I asked them if I could be the UK distributor," he says.

The fact that Stiven spotted a winter application for the fans, not something the US business had considered, showed his hosts that Stiven saw the potential. So, in spite of no background in fans or energy management, Stiven did a deal with the manufacturer and set up MegaFan Technologies.

The fans are different from other products on the market because of their sheer size. Up to 24ft across,

they move large volumes of air (275kcu ft per minute) around big buildings, such as warehouses, saving energy in the process.

"Heat rises," Stiven says. "So what you find in big buildings is that the ceiling temperature is high while the floor temperature low. Small fans have no impact. What we can do is regulate the air temperature using these large fans."

In the winter, Stiven's fans keeps the air fresh. In the summer, their function means that buildings rely less on expensive air conditioning.

MegaFan buys the units from the Californian company, a family-run business, sells the fans to customers and charges for installation. The business also has a servicing side, run by Stiven's business partner, Stuart Atkinson, creating another revenue stream.

To date, the business has sold and installed 200

fans. In the first year, sales were £175,000 against costs of £179,000. In year two, MegaFan saw sales rise to £751,000, making the business a net profit of £142,000.

Customers so far include warehouses for GE and Tesco. Tesco is now considering installing the fans in its stores – a move that would put MegaFan on a different trajectory. While Tesco has 18 distribution centres in the UK, it operates more than 2,282 stores in the UK alone and 4,300 worldwide.

Stiven's sales approach is direct. He always picks up the phone, he says, speaks with the facilities or energy manager, and makes his pitch brief and to the point. He tells them the fans will save them money and reduce the company's overall carbon footprint. These are the sort of facts that people want to hear.



No hot air: Stuart Atkinson (left), technical director, and Garry Stiven, managing director, of MegaFan

Daniel Lynch

"Before I go in to an initial sales meeting, I look on Google Earth at the company's factory roof," he says. "I can tell its size, dimensions, shape and type, so when I arrive, I'm already prepared with numbers."

"I also ask them if it is OK if I bring a tape measure with me, so that after the pitch I can measure up and get them a proposal, or quote, straight away."

MegaFan also has an exclusivity agreement to sell the products in energy-conscious Germany. Entry into this market was helped by Atkinson, his business partner, speaking fluent German – his wife,

who is among one of only four people who work at MegaFan, is German.

The big problem for Stiven, he admits, is on a macroeconomic level. As companies across the board cut capital expenditure, Stiven's major selling point – that the fans save in excess of 50 per cent on energy bills – is falling on deaf ears. While the savings may sound attractive, the budgets are simply not there.

This economic impasse also means that expanding the skeleton staff by relying purely on organic growth is taking time and holding the business back. That makes a German expansion difficult to achieve in the short term.

Stiven has invested some of the profits in a telemarketing campaign that has proved successful, generating leads worth up to £3.2m. But again, he is having to manage the time

and manpower issues.

MegaFan is attempting to innovate by developing simple control panels for the fans, so that one person can control up to 64 fans via a single panel. "Anything that can make it eas-

'Before I go in to an initial sales meeting, I look on Google Earth at the company's factory roof'

ier to use is good for us," he says.

Stiven says he is happy concentrating on his current clients and trying to expand the business he does with them. He is also looking at other supermarket chains and companies with multiple factory sites.

He is not keen to borrow

to fund the expansion. "I think the only way I'd look for funding is by getting someone on board who could invest but who also has a knowledge and interest in this area – and someone with contacts," he says.

Stiven knows that, for now, it is important to concentrate on the company's cashflow.

"We know the product is good, and we know it works. So we now ensure we get a 35-40 per cent deposit up front, and that really helps our cashflow."

Stiven boasts that his products have thrown up some interesting spin-off benefits.

One Tesco warehouse manager told him that as a result of the fans at one site, absenteeism had fallen, productivity had increased and the building was much cleaner.