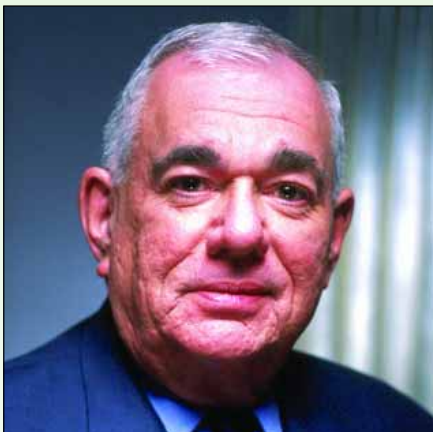


How to Make Money with Asset Management

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



Alan S. Elkin

EDITORS' NOTE "We have a very simple message: If you have an under-performing asset, of any type whatsoever, call Active," proclaims Alan Elkin. As chairman and CEO of the largest corporate-trade company in the world, Elkin is something of a pioneer in the industry, with informed views on how to succeed. Since founding Active International in the early '80s, Elkin has held the opinion that in the corporate-trade arena, "size is a significant factor in a successful business strategy." After all, he points out, "being big gives you a lot of opportunities to do a lot of things, and it enables you to service your clients in a much more effective way." This philosophy is born out of Active's remarkable growth, with the firm now helping companies of all sizes dispose of their under-performing assets all around the world.

Despite its global scope, the business is still conducted on a personal basis, Elkin maintains. For, regardless of the assets in question, clients "can't buy our

products off the shelf," he reports, whether they are interested in accessing media, printing services, or another of Active's fulfillment services. Rather, "each fulfillment service is developed in conjunction with each individual client," and Active's continued dominance of the market depends "on our people around the world being able to sit down with our clients and explain the benefits of our transaction," the chairman and CEO asserts: "That has never really changed, and I don't expect it to in the future."

Prior to founding Active International, 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.

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, capital

equipment, and delinquent receivables – at a value much higher than the cash market would yield. The trade credit is then used to offset the cash required to acquire media, goods, and services. The company reported gross trading volume of \$1.3 billion in 2003.

Active recently announced that it entered into a trade program with the Dominican Agrarian Institute in the Dominican Republic. What was the rationale behind that decision?

This agreement, the first of its kind, is part of Active's economic-development program, and enables the company to work with emerging countries such as the Dominican Republic. The agreement was signed by the Dominican Republic's secretary of state, Tomas Hernandez Alberto, and the program is based on the idea that the Dominican Republic produces agricultural products in abundance, which we can monetize by distributing them all over the world. This enables the commodities to be exchanged for goods and services that the Dominican Republic requires in order to enhance its economic position.

Do you envision this program growing to include additional emerging markets?

Yes, we do. Right now we're in talks with countries in the Balkans, where we hope to carry out the very same process that we're executing with the Dominican Republic.

You've also recently opened an office in Vancouver, your third in Canada. Is that a strong growth region for you, and do you foresee further expansion into the Canadian market?

The answer to both questions is yes. Before we opened the Vancouver office in



■

**We have a very
simple message: If you have
an under-performing asset,
of any type whatsoever,
call Active.**

■

the west of Canada, we opened an office in Montreal. This expansion has been motivated by our need to build our exposure in the Canadian market beyond Toronto. Canada is a very large, very diverse country, and because it shares a border with the United States, it's a natural growth area for us.

Your real estate division has been particularly successful. To what do you attribute that success, and are you optimistic for continued growth in Active's real estate business?

We see tremendous opportunities in the real estate business, not only from a domestic point of view, but also from a global perspective. We have created a global real estate department that functions through Active's offices around the world. And because of the recent trend in

downsizing corporations, as well as technology advancements, there is a surplus of factories and office space. As a result, our global real estate business has grown dramatically over the last 12 months, and we see this growth continuing and transcending the Pacific and the Atlantic Oceans.

What is your outlook for Active's presence in the Chinese market?

We have an office in Hong Kong that serves as an entry point into mainland China, and we're currently selling products in China through our Hong Kong office. We're also sourcing products inside China, and we're inching our way toward opening an office in Beijing. I think we're about 6 to 12 months away from doing that.

How about India?

India presents an interesting but perplexing problem for us. It is a country of 1.2 billion people, and it's the largest democracy in the world. It's simply an enormous country, so we need more resources and more assets on the ground before we can develop a significant position in that market. As such, we're looking for significant expansion in India for 2007 and 2008. It's something that we're anxious to do, but we're going to need a lot of patience in getting into that market.

In 2003 Active experienced a 14 percent increase in media-buying activity. Do you see that double-digit growth remaining relatively consistent?

Our growth in 2003 was dramatic, but our growth in 2004 has been even more dramatic. I believe we have seen something in the region of a 28 percent increase this year. A lot of things have been happening in the corporate-trade world. The American Association of Adver-

tising Agencies came out with a white paper that recommended the use of corporate trade. It recognized that trade could be extremely helpful for companies that have excess or obsolete inventory, and it asked the agencies to take a closer look at corporate trade. That has been a tremendous help to Active, and we've seen a lift in our corporate trade activity. Active is the largest corporate-trade company in the world, and we have been involved in an increasing number of transactions because of our size and our global presence. Today, according to *Advertising Age* magazine, we are also the ninth-largest purchaser of media worldwide.

How do meetings and events fit into Active's overall business strategy?

Back in 1999, we decided to expand beyond our media capability and move into goods and services, which include meetings, seminars, and events. That has become a very large part of our business. In 2003 we placed something like 80,000 room nights for our clients around the world. That's a lot of room nights.

You also have a relatively substantial printing division. Can you highlight that part of the business?

Our printing business is global in scale; we're able to print around the world. We do this on a corporate basis for our clients. Specifically, we're able to retire their trade credits by the provision of printing of all kinds, from envelopes to annual reports.

Each time you mention one part of the business, it leads into discussion of another part. Active is much larger than some people might think. Is there enough awareness in the market about the breadth of your products and services?

I don't think so, and one reason why



is that Active is an evolving company. As we grow larger, we bring on more services, and it takes time to get traction on those services. We continue to look at new ways to communicate all of our services. For example, this year we have cre-

ated an account-management department, whose role is to be the advocate for our clients. It is one voice disseminating information about all the goods and services that Active has.



ated an account-management department, whose role is to be the advocate for our clients. It is one voice disseminating information about all the goods and services that Active has.

It seems as if your services would appeal to the majority of companies, as they provide a win-win solution to the problem of under-performing assets. What obstacles stand in the way of getting that message across?

You can't buy our products and services off the shelf. Each fulfillment service is developed in conjunction with each individual client, so what we offer is always going to need explaining. Because of that, we rely on our people around the world being able to sit down with our clients and explain the

How are your client relationships structured?

We try to structure them in such a way that they develop into long-term relationships. Strictly speaking, we don't want to do one-off projects. Rather, we want to be able to bring as much of the benefits of our transaction to our clients as possible, so our clients will go on wanting to use Active's services. We have a very simple message: If you have an under-performing asset, of any type whatsoever, call Active. That's the way we want our clients to look at our business.

Do you focus exclusively on large multinational companies, or do you also work with small and medium-sized companies?

You never know what will happen to today's small companies, so we work with small companies, medium-sized companies, large domestic companies, and global companies. In short, we want to be able to bring our services to as many companies as possible.

Will your service portfolio remain relatively consistent, or will you continue to offer new services?

We see our company offering new products and services every six months or so. After all, the more successful a busi-

ness is, the more it tends to reengineer itself.

Corporate citizenship has always been a key focus for Active. What is the company's role in the various communities it serves?

It's important for any corporation to get involved in the community where it does business. To that end, we created Active Cares, which is a global foundation that works with our individual offices around the world to support the communities in which we do business. We contribute to a significant number of charities, both in the United States and abroad, and our contribution is not purely financial. We put money into causes our employees suggest, provided they put in time. That's because we believe that money isn't the answer to everything. Very often, using your brain, your time, and your energy to benefit the community is just as useful.

With the increased awareness of Active's presence in the marketplace, are young people more excited to join the industry overall, and Active in particular?

Yes, that seems to be the case. Because we are a knowledge-based company, people find our business fascinating, and we're able to recruit bright, intelligent, creative young people on a global basis.

You mentioned the global aspect of the business. How close is the coordination between your offices worldwide in the delivery of your services and messaging?

Through our marketing department, we are developing the Active International brand on a global basis. As a result, we have one voice going out to the marketplace around the world.

Is technology a key enabler of your operations and service delivery?

Technology is a tool that will never replace the human touch, for the simple reason that it is a tool, but it enables us to access information in an accelerated way. Thanks to technology, we're able to communicate much more effectively to our clients and to all our offices around the world. All in all, it has given our business greater effectiveness and efficiency. But, there is nothing in the world like personal contact with your customer.

You have a reputation for being a



hands-on person. As the business has grown into a global force, how has your role changed?

I am less involved in the day-to-day business now, because the company is larger and we have a strong management infrastructure in place. However, I am still involved in creating new products, and I



am able to work on large transactions with our employees. In addition, I am able to visit more of Active's clients than in the past, and I also spend a lot of time on the management side of training and recruiting new people. So my job has changed a great deal since the beginning.

Is it very important for you to maintain direct personal contact with clients?

Fortunately, we have a lot more clients than we used to. The downside to that reality is that it becomes increasingly difficult to meet them face-to-face. However, every time a client comes to Active, which is often, I get to meet them and spend some time with them, which is a wonderful thing. And when I travel to different U.S. cities or different countries, I always make a point of visiting our clients – having breakfast, lunch, or dinner with them, or visiting them in their offices – to bring them up-to-date with what Active is doing, and also to get a sense of how we are doing in servicing their needs.

Is there a role for niche players in this industry, or does a company need to be of a certain size and scope in order to survive?

I've always believed that it's good to be big. Being big gives you a lot of opportunities to do a lot of things, and it enables you to service your clients in a

much more effective way. Consequently, the vision I always had for Active was for it to be a large, global company. I've always believed that our corporate-trade business could transcend the Pacific and the Atlantic Oceans, so, to me, size is a significant factor in a successful business strategy. However, there's room in every industry for smaller players. And furthermore, there are always opportunities for smaller players to become larger players. That's the nature of corporate life.

The public perception of the corporate world has been tainted by recent ethical breaches in the marketplace. What effect does this have on your industry?

Back in the late '90s, there was a good deal of consolidation in the industry, and a shakeout of the

for all our managing directors from all over the world, plus all our financial directors, and it was interesting to see a difference in the attitudes between the older managers and the newer ones. The newer corporate-trade managers hadn't gone through the years when corporate trade was in its infancy and the reputation of the industry was somewhat clouded. So when this topic came up, the younger managers said to the older managers, "What are you talking about? We don't see it that way. We see this industry as having great benefits for corporate America and corporations all around the world."

As a pioneer of corporate trade, it must be very rewarding for you to witness that transition, and see how perceptions of the industry have changed, amongst insiders and the public at large.

It is very rewarding, and it gives me a great sense of accomplishment to be able to sit and listen to such conversations. It also helps the older managers realize what they have achieved in transforming an industry for the better. They've done a fantastic job.

What are the biggest challenges facing the industry in the coming year or two?

From both a personal and corporate point of view, I think that training and recruitment will both present significant challenges in the coming years. We have now grown to such a size that any future success is dependent upon the right recruitment of people and the right training of those people. Because Active is a knowledge-based company, there's always a six- to eight-month training period before new hires become effective. And then there is an additional period of time when they build up the experience necessary to do an excellent job. And so, as our growth continues, our



challenge will be to find the right people for the right jobs.

smaller, less reputable corporate trade companies. As a result, I'm happy to say that image has left the industry. I believe that Active has set a level of excellence that other companies must follow in order to succeed in the business. Active alone acquired several smaller companies in the mid '90s, and other companies that existed at that particular time faded away for one reason or another. The reputation of the corporate-trade industry has grown immeasurably.

I'd like to add another thought to that: We recently held a three-day seminar

challenge will be to find the right people for the right jobs.

You have come a long way since 1984. Do you still feel the same excitement you felt at the beginning, when you started this company?

Yes, I do. I'm equally as excited today as I was 20 years ago. It's a wonderful, exciting business, and I am lucky enough to work with a wonderful group of people. And each day is a different day. So I can't wait to wake up in the morning and come to work. In fact, I don't even call it work! ●