



ExportSavvy

ExportSavvy Case-Study

Oxford Products

Never assume a UK model must work in overseas markets

Oxford Products is every inch the successful modern business; with bike-riders and motor-cyclists worldwide clamouring for its clothes, helmets, luggage, locks and other accessories.

Its UK base is a purpose-built 100,000 sq ft head office and distribution centre in the Oxfordshire market town of Witney, which sells to some 3,000 cycle shops in the domestic market and distributes to 75 overseas partners.

Around 30% of its £15m annual turnover comes from exports, and a subsidiary based in Florida opened in late-2012 to provide access to markets throughout North and South America.

No wonder that their local MP (David Cameron) was keen to open their new HQ in May 2014, and to praise Oxford Products for its achievements and its ambition.

However, export director Chris Shearer admits the company spent years struggling to break into overseas markets, before realising that its initial decision to use a combination of local agents and directly-employed sales staff was flawed.

"The business was set up by Alec Hammond in 1973, and for 20 years it grew steadily until it had close to 20% of the domestic market for motor-cycle accessories, but it had reached a tipping point," says Chris.

"Winning a greater share of its niche sector was tough against established UK competitors and an increasing influx of overseas suppliers. Its suppliers could only trim their prices through greater volumes, so the solution was to look overseas to achieve higher sales."

"Alec had been very successful in employing sales teams to sell direct to retail outlets, and it seemed logical to adopt the same business model in Western Europe, so Belgium, France, Germany and Holland were targeted."

"There were particularly high hopes for Germany, partly for the scale of the market, but also because it mirrored the UK, with lots of bike-riders who were enthusiasts, rather than commuters."

Chris came on board in 1994, after serving with the British Army in Northern Germany, but eager to find a career more suited to his entrepreneurial mindset.

Take time on your market entry strategy

"Looking back, we were pretty naïve," he recalls. "We tried to test the market through trade shows, not realising we were likely to attract the wrong cross-section of the market.

"I joined after one event and was given 13 people who had placed orders. I spent a week visiting them all, but only one was a motorcycle outlet. It was disheartening, and I was pretty close to resigning."

It was only a brief setback for Chris though, and over the next four years his aptitude for selling, his language skills and knowledge of Germany saw him consistently hitting his targets.

Elsewhere though, the company's model wasn't delivering as expected, and it was clear that a new structure had to be devised if it was to become profitable overseas.

"In general, our agents let us down and some of our sales people took us for a ride too," admits Chris. "One area was expenses. We didn't know enough about subsistence costs in different markets, so they were difficult to control, and in an era before Google Maps, it was difficult to check mileage claims."

There was demand for the company's products - export sales were close to £1m by the late 90s - but it still proved impossible to make a profit.

Employing 11 full-time sales people on the Continent was a major drain on resources, as were the associated overheads, and delivery costs for small orders were proving prohibitive.

"The sales management model which worked for us in the UK simply wasn't delivering what was required, and everyone agreed there had to be a fundamental review of our export strategy," says Chris, who by now had become European Sales Manager.

The breakthrough moment came when he visited the Belgian company which had been distributing its products for the previous two years.

The personal touch is always crucial

"They were hugely bigger than us as a business, - their warehouse looked more than a mile long, but what really impressed me was their belief in our products. However, they hadn't gone full-out with our range because they feared we might go direct through dealers and their margins were tight," says Chris.

"Our management team crunched all the numbers back in Witney, and the solution was obvious. We needed to find other partners with the commitment of the Belgians, then we could move to a new overseas model based on distributors.

"Yes, we had to reduce our margins to make the arrangement work, but because our costs also fell sharply, we could establish a pricing policy that still left us with a sensible bottom line. We also issued an 'ex-works' price list so overseas customers could see their freight costs, and choose their own carriers if they preferred."

The immediate outcome was a more efficient and dedicated distributor network in Western Europe, and as the same model was rolled out globally, the ratio of Oxford

Products' overseas sales to domestic sales rose steadily, and the distribution network is now solidly profitable.

For the future, Chris and his colleagues are confident that the company's long track record of investing in innovation and R&D will underpin further growth. In 2015, the design department was doubled in size to accelerate development of motor-cycle product ranges.

"We aren't a manufacturer, and have never wished to be, but potential distributors do recognise the opportunities for them that our products can offer, and respond well to the chance to become partners," he says.

"However, we all still have to put time and effort into knocking on doors, consolidating in existing markets and exploring new ones. We're also looking to drive more efficiencies into our supply chain, because this is always going to be a very competitive sector.

"The lesson we've all learned for the future is never to assume that a model which works in one country will automatically work in another, and that realisation has stood us all in good stead."

Think on!

Could your business learn from Oxford products' hard-won experience?

Chris Shearer traces the problem with Oxford products' back to a bad decision about their best route to market. Arguably the decision was based on the assumption that what had worked for them in the UK would provide them with the best overseas model. How thoroughly have you analysed your options for market entry? How clearly do you understand what you need from your overseas partner and what you will have to provide to make your strategy a success?

Oxford products eventually recognized that the distribution model would require a different approach to costs and margins – lower overheads, lower margins but higher volumes. Have you 'crunched the numbers' as Chris says, to show the true profitability of your proposed approach?

Oxford products have systematically developed their R&D capability to add value to their offer for both clients and distributors. Given the specialist expertise in your business what R&D opportunities might open up for you as you increase your exposure overseas? How will you ensure that you get the full benefit of these opportunities?

You can explore some of the issues raised here in more depth in the following module in the Savvy Academy:

Your Route to Market

Making a profit

