

# OUR INSIGHTS

Practical advice on common business challenges  
direct from our International team of business experts

## INSIGHTS, PAUL COOPER, SALES & MARKETING



## How to sell capital equipment beyond your home market

You've got the product development right; marketing and sales are good and you've got strong market share in your home market. The route to growth is through expanding into overseas markets. Should be simple, right? After all, who wouldn't buy well engineered equipment from us?

There are many important factors to consider and two critical ones are whether to sell through your own teams or dealer and how to get after sales right.

### 1. Selling through own people or dealers?

The first question is whether you should use your own people or use agents or dealers. Whilst the volume is low you may look after the customers solely from the home country, but as you grow you need to decide whether to have your own sales and service subsidiary or to use dealers.

Very often the preferred approach is through your own subsidiary. You are much closer to the customer and to the market. This is important in sales and in service. You can control a subsidiary's activities in this area and ensure that customer care is foremost.

Should Head Office send someone from the home country to head up the local subsidiary and to run sales activities? This is tempting as you maintain control, but there's no substitute for a good local team who know the market very well and, equally importantly, understand the cultural issues in the local country. I've run a dual system in both Asia and the Americas where I was the guy in the region from head office but the local subsidiaries in the individual countries were headed by local managers reporting to me.

Working with dealers can certainly reduce fixed costs. In many cases it makes sense, particularly where the dealer has a strong technical team and the right commitment to

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customer care. Most recently I've worked very well with dealers in Asia, particularly in Vietnam and Thailand. It's tempting to engage a dealer quickly just to have a presence in a market. It's much better to do good due diligence on both sides and, equally importantly, to make sure that the dealer can be profitable in such a partnership. This will require special attention to pricing, particularly in the early days, to provide good marketing support and to be generous with training for the dealer's team.

Another consideration is where the cultural issues are such that a local dealer works better than your own subsidiary, even when that subsidiary is run by local management. I've worked in Japan, for example, with own subsidiary and with a local dealer. Both have ultimately been successful but establishing a presence in the early days worked far better with the dealer.

I've also run a hybrid system of own subsidiaries and dealers in USA. This was necessary as we built our presence in such a large country. It's important in this situation to be clear about territories and who can sell where. It becomes complicated when you're dealing with a customer with multiple locations. Dealer management and relationships become even more important than normal.

## 2. How to organise After Sales



After sales is always critical, both from a customer care point of view and also from a profitability point of view. Margins are constantly under pressure when selling competitive equipment. The key to maintaining a profitable export operation in capital equipment is providing proactive, top quality support. Key to this are the people. You need people with excellent technical skills and you need to support them well with excellent training. You must commit fully to this. Of course, it's expensive to send

engineers to Head Office for training and even tougher having engineers off the road. It's very tempting to cancel training when customers are screaming for support. This is a big mistake.

Another important area when moving into a new country is hotline support. The ability to diagnose problems remotely, to interrogate the software and to use camera technology has made hotline support even more crucial. Whether this is done locally in the subsidiary or in the home country will depend on time difference, language and scale. It works best when there is a good level of hotline support locally.

One mistake I've seen, and also been guilty of myself, is to set up the service organisation in a hurry without putting the proper systems in place to track service activity. When the service organisation is small, this is manageable but things can grow quickly and retrospectively trying to implement systems can be a real problem.

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Spare parts management is a critical part of the capital equipment business. It's key to make sure that you have the right range of parts available. It's always a balance between having parts immediately available when they're needed and carrying far too many parts that aren't regularly used and increasing carrying costs and obsolescence. The distance from Head office and transportation costs are an important part of the equation. Monitor the local spare parts stock continually. Keep adjusting it so you've always got the most common parts continually available and not carrying excess stock.



**Paying attention to these two issues up front is critical when moving into new territories. However, as always, the most important issue is having the right people, managing them well and giving good people space to grow and develop.**

## Paul Cooper

Partner

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