

# Llexeter's Chinese Fast Show



**Lexmoto and Pulse have been the fastest growing brands in the country. Both shot past the 1000-plus sales benchmark last year and are consolidating gains. Lexmoto is now the UK's leading Chinese marque and looks set to make further market progress, thanks to a common sense strategy by parent Llexmoto. Report: Mark Shippey**

**I**mporters of Chinese motorcycles and scooters, Llexeter distributes two brands – Lexmoto and Pulse. Sales of both have been on a charge and Llexeter has been leading a Chinese Fast Show in terms of increasing sales.

Lexmoto is taking big scalps. In both February and August this year the brand was fifth in the Manufacturers' Top Ten sales chart, outselling all but Honda, Yamaha, BMW (February), Triumph (August) and Piaggio/Vespa.

Lexmoto had never appeared in the Top Ten until September last year, but since then it has failed to figure only twice. Were Lexmoto and Pulse sales to be combined, the performance would be even more impressive.

Last year Lexmoto and Pulse made the market's biggest gains, both making triple figure percentage growth. Lexmoto was up by 271.5 per cent to 2255 units and Pulse was up by 107.1 per cent to 1483 units. The combined total of 3738 units was a rise of 183 per cent.

Year to date for 2012 (to the end of August), Lexmoto new registrations amounted to 1562 and Pulse 1224 (2786 combined). So far, 2012 has been a year of consolidation following 2011's spectacular gains.

Could Lexmoto and Pulse beat last year's performances in 2012? It's a possibility. During the first half of the year Llexeter managing director Leon Xu reports that sales were cramped by limited supply from China.

"We could have done more," confirms Llexeter business development manager Daniel Frost. "It was a time when petrol prices at the pump were

soaring and our low-cost bikes became a very attractive proposition for commuters."

#### BUDGET COMMUTER DEMAND

The demand for budget lightweight commuter transport has boosted sales of Chinese imports, which now account for 17 per cent market share. In recent years sales of Chinese-built bikes have increased 15 per cent year-on-year.

The reason the overall UK market is marginally up on last year – by 0.9 per cent to the end of August – is predominantly due to a healthy 12.8 per cent increase in the 51-125cc category in which Chinese product plays a significant role. It's the only capacity class showing growth. To the end of August 0-125cc machines held 51 per cent market share.

Llexeter Ltd, with its Lexmoto and Pulse motorcycles and scooters, is the leading Chinese protagonist on this stage and it is reaping the biggest rewards.

Llexeter now produces mopeds, scooters, cruisers, commuters and supermotos, and according to MCIA statistics four-year-old Lexmoto is the fastest growing motorcycle marque in the UK.

#### MOPED SALES

In the moped class, China outsells Japan 10:1 most months. In this sector Llexeter plays a leading role and Xu is keen to emphasise the company's intent to attract new customers to two-wheels.

At an MCIA meeting of manufacturers all agreed that the more bikes Llexeter sells, the greater the

number of larger capacity machines that will sell further down the line, reports Xu. "So everyone is a winner," he says. "The Chinese motorcycle phenomenon can benefit motorcycling as a whole."

#### LLEXETER HISTORY

An infant in terms of the motorcycle business, the company has only been in existence since 2006. Based in Exeter, Devon, it now accounts for more than one-third of the UK Chinese bike market, and boasts an overall market share of six per cent, outweighing the contribution to new registration figures from US manufacturers combined (four per cent).

This young, progressive importer is headed by Leon Xu, 37, who came to the UK from China in 2001 with his wife to study for a Masters degree in Finance and Marketing. Two years later, he set up his first business enterprise importing and selling electric leisure products via the Internet.

"I started out doing minimotos and electric scooters, but then I foresaw the sales of these would go down, so I looked around for alternative products," says Xu. "Some of my friends are bikers and they said I should look at importing Chinese motorcycles and scooters. Some of the companies I was already dealing with in China also produced low capacity motorcycles, so I went over and had a look, liked what I saw and took the plunge.

"I had no idea at that time that they would become so popular. I wanted to find a business to be in for the long haul and I could see that many of the Chinese manufacturers were also looking at a similar long-term plan."

Xu launched the Pulse range in 2006. It was an overnight hit with the 16 to 25-year-old age bracket. Rapid success saw Xu move into much larger premises the following year. In 2008 he launched sister brand Lexmoto, aimed at an older clientele, and Chinese Motorcycle Parts Online (CMPO) which retails spares. This involved taking on a second large warehouse unit next door.

In December 2011 another 12,000sq.ft of parts storage space was created, thanks to a new mezzanine floor. Capacity is now nearly four times greater than in 2009.

#### STAFFING/BUSINESS PRACTICE

Llexeter runs on an almost skeletal staff of 22, many of whom double-up between the two sides of the business. To keep costs to a minimum all IT is taken care of in-house. The website has just been upgraded and Llexeter has its own in-house photographic studio.

"We do not produce marketing material for our dealers, except the Pulse and Lexmoto model brochure," says Xu's right-hand man Frost. "However, all dealers have access to our vast catalogue of images that can be downloaded from the website. To make it even simpler for the dealer, these are available in many formats, including hi-resolution."

#### WAREHOUSING

Llexeter may well need more space for bikes and spares over the coming months if the anticipated growth in sales of Chinese bikes continues.

Though space is at a premium at the Exeter warehouse, there is enough room to store up to 1400 motorcycles. "We try to keep 1000 bikes in stock," says Frost. "We are pretty consistent with stock levels. Dealers know that invariably we can deliver when they require a bike. We receive four containers a week on average, each one holding 60-75 units depending on the model – up to 100 for the Pulse Scout, for example.

"Our dealers are on sale-or-return, so there is usually buffer stock available. If we sell out from the main warehouse, we can usually call back a bike from a dealer to satisfy an order."

The last four containers of Lexmoto XTRS models were all pre-sold, emphasising the strong level of demand. Llexeter constantly evaluates stock levels to ensure supply to dealers. Should Llexeter find itself oversupplied with a certain model, a special offer promoted via the company's weekly newsletter usually results in excellent dealer response.

"I think the strongest aspect of our business is our parts back-up," says Xu. "We allocate three or four times more warehouse space to parts than we allocate to our bikes. Most of our competitors have very small areas for their parts. We have realised

## IN A NUT SHELL

- Lexmoto and Pulse – fastest growing brands over the last three years
- Forty per cent average dealer margin
- No stocking requirements

- Sale or return supply
- Up to 1400 bikes in stock
- Next day delivery
- Emphasis on parts back-up
- Dealers wanted

that this is a very worthwhile and lucrative side to our business. A number of prospective dealers, when questioned about how they knew of us, said that they have been buying parts from us and are very happy with our high levels of service."

#### CHINESE MOTORCYCLE PARTS ONLINE

With the parts side blossoming, CMPO has more than 200,000 products in stock covering over 10,000 individual product lines and accounting for around £1.8m trade of stock. It includes everything from seals to batteries and fairings to frames. CMPO supplies both the trade and the public. Major trade buyers include parts giants Wemoto and China-Parts.

"We are always looking to stay on track and constantly update our site to benefit dealer and end user," says Frost. "We have identified compatibility of parts with a number of other models, and not just Chinese bikes. We list all of these, and we have put up engine diagrams to make it simple for the end user to identify key parts. We can ship for next-day delivery if parts are ordered in time.

#### BUSINESS MODEL/CUSTOMERS

MD Xu emphasises that his main business ethos is to provide low-cost product so as to encourage people into motorcycling.

He aims to keep retail prices below those of most quality second-hand machines. He is maintaining this stance despite increasing labour costs in China, the increasing strength of the yuan, and escalating freight costs, which have more than doubled so far this year.

"It couldn't be more straightforward," he says. "I want to keep the cost of motorcycling low, especially at the entry point, so that hopefully we can bring more people to motorcycling, which, in turn will benefit the industry and further benefit our successful parts business. I think that my competitors have already realised this.

"I want to keep the cost of my bikes below that of well-priced second-hand bikes. Although we may subsequently lose a customer to another manufacturer when they buy a bigger capacity bike, we know that we have helped the industry, and hopefully also sold some parts.

"We're attracting people who have just passed their car tests and then been stung by huge car insurance premiums. They can see that Chinese bikes are a way of saving money on transport.

"We also attract young first-time riders who need an easily affordable way into biking. We may only retain these customers for a year or two because we import 50-125cc bikes only, but there is always the next group of 16 and 17-year-olds coming through."

#### TWO BRAND APPROACH

Why have two brands when most importers stick to one?

"We have discussed this at great length," says Xu. "It is best for us to have two brands so as to target different people."

Chinese factories do not pre-badge motorcycles. It is left up to the individual customer that imports to each territory to determine a name or brand.

"One of my dealers, Andy Cook, came up with the Pulse name. And Dave Steer came up with Lexmoto. Dave is responsible for all of our IT systems and is a committed bike fan."

#### IMPROVING QUALITY

Many members of both the trade and the public continue to think of Chinese product as cheap, mass-produced copies of poor build quality, →



Llexeter managing director Leon Xu.



with poor components, and poor or even non-existent after-sales service.

"In our early days there was strong resistance to Chinese bikes in general," reflects Xu. "There were lots of doors closed to our products. I had to persuade people that they were not that bad, and that the Chinese motorcycle industry was serious about production.

"People's attitudes have changed over the years and now dealers want to stock our product. I would say that more than 95 per cent of our dealers have sought us out rather than us having to sell them the concept.

"There used to be hundreds of Chinese bike manufacturers, but now only the biggest survive. The government has been tightening the rules. Smaller manufacturers either went bust, joined forces with another manufacturer or moved on to something else.

"We used to deal with a dozen or more different factories. Now we deal with five or six that we are happy with and trust to ensure quality and consistency of product. It is not an exclusive partnership – all parties are free to work with others companies. Competition is strong, so the factories we use know that if we are unhappy with a product we could go somewhere else. It is in their interest to keep standards up to retain our business."

**DEALERS WANTED**

Llexeter has a nationwide dealer network of 126 active dealers stretching from Penzance in Cornwall to the north of Scotland. Only a handful deal solely in Chinese bikes. Many are multi-franchise. Several sell other products, such as second-hand cars and bicycles. For example, Llexeter's biggest dealer is Blackburn Cycle and Scooter Centre, which majors on bicycles.

"We are constantly evaluating our dealer base and looking at areas where we can grow without compromising existing dealers," says Frost.

"There's no optimum number of dealers. Our goal is nationwide coverage, so that all customers have a local dealer. We want to make it easy for customers to see our bike and accessory ranges and have access to back-up. Our immediate target is to appoint more dealers in the South-East and East Anglia."

Adds Xu: "In 2006 and 2007 we used to 'cold call', but since then we prefer to receive an approach from an interested dealer.

"We have had many from people with a mechanical background, who can see that with a minimum initial order of only four bikes, they do not need to make a major investment to become a dealer. For many of our dealers selling was a hobby or sideline. In some cases it has now taken over as the main business!"

**MODEL TIMELINE**



2006 Pulse Scout.



2007 January: Pulse Adrenaline.



2008 September: Lexmoto Gladiator.



2010 March: Lexmoto XTR.



2011 May: Lexmoto Valencia. June: Pulse Lightspeed 2. July: Pulse Phantom.



2012 January: Lexmoto LSM 50 two-stroke, Lexmoto Lowride.

**THE DEALER DEAL**

New dealers are expected to take four bikes initially. Following that there are no stocking requirements, and machines are supplied on a sale or return basis. Dealers are expected to be decent ambassadors for Llexeter product.

"We make it as flexible as possible because we have such a diverse variety of dealerships," says Xu. "Apart from the initial order we never stipulate that a dealer needs to have a certain number of bikes, or that if he wants a particular model he has to order X, Y and Z as well. That's not how we operate."

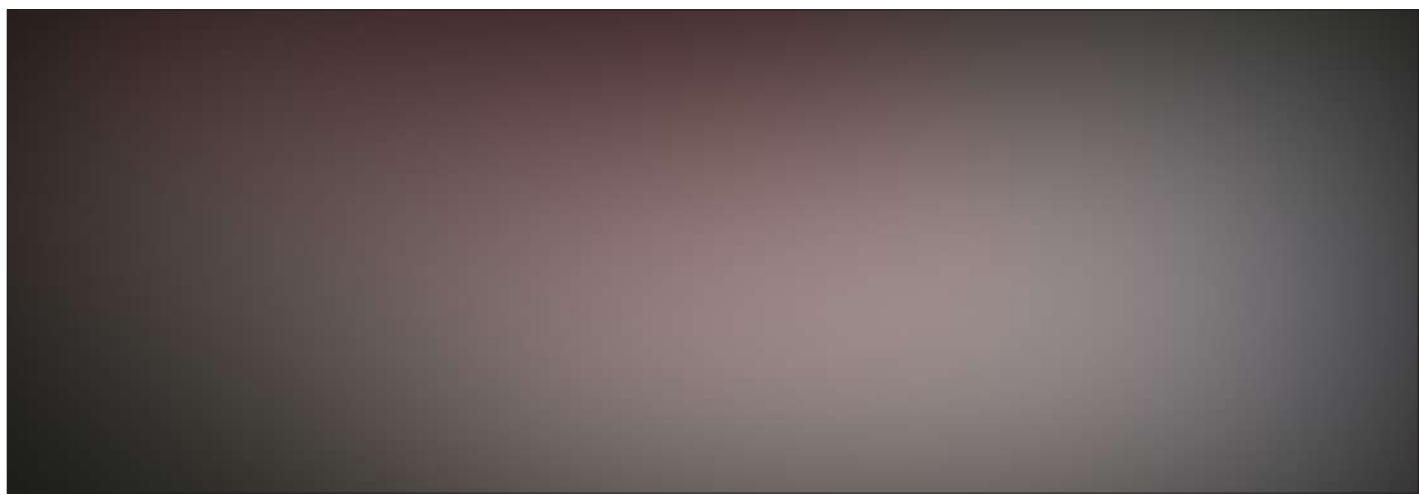
Adds Frost: "The dealer must have sufficient technical knowledge to support the bikes and the customers. We are very concerned that any dealer that we take on is not simply looking to sell bikes cheaply online without offering servicing or technical back-up.

"We offer SOR, technical support, a website for every dealer, and we've just launched our online warranty system. This will help dealers keep track of warranty claims and simplify the process."

Adds Xu: "We also provide the V55/1 registration process online. This can save the dealer a lot of time and hassle. I believe that some of our competitors do not provide this service."



Llexeter business development manager Daniel Frost.



**DEALER MARGINS**

Despite low retail prices dealers can make good profit. Explains Xu: "When I price the machines I always make sure that the dealer can make at least £250 per bike, however small the bike is. Overall, the margin is about 40 per cent.

We also offer a loyalty discount and a multi-bike discount scheme. The loyalty discount is usually based upon the previous three months' sales. The discounts encourage sales and provide extra profit for everyone involved."

**DELIVERY DEALS**

Because transport company DHL has a depot right next door to Llexeter's Devon HQ, next-day delivery is guaranteed on orders received by 1pm. If dealers make full use of transport pallet space, for example, by ordering four bikes, delivery is free. This delivery service has been a key factor for



Llexeter in building-up a dealer network and increasing sales.

"Where some companies can only promise three to five-day delivery, DHL is located literally right beside us, so we can guarantee that the order will be with the dealer the next day, even if it's several pallets of bikes," says Frost.

**ADVERTISING/MARKETING**

"We advertise only in *British Dealer News* for trade, and *Twist&Go* for consumers," says Frost. "We haven't needed to advertise elsewhere because we are in the fortunate position of having a very high turnover of bikes at present."

Social media activity is at the forefront of Llexeter marketing. Lexmoto and Pulse Facebook pages show healthy viewing numbers from target audiences.

**ELECTRIC MARKET**

"The demand for electric-powered scooters is still very low, probably due to the high cost and prices involved in producing and retailing electric bikes," says Xu. "The major concern for us is battery efficiency. Some of the selection available to us uses older style batteries that are heavy and just don't work well enough. When battery technology improves we'll consider bringing product to the UK.

"The electric car industry is just starting to gather momentum, so hopefully after a few years when they are selling a lot more electric cars, then the same factories that are producing the car batteries will be able to invest and reduce the cost of motorcycle batteries."

**MAIN COMPETITORS**

Of the 18 marques selling more than 1000 units last year, six were Chinese or Taiwanese. In sales order they were: SYM (2638 units), Lexmoto (2255), Direct Bikes (2037), Pulse (1483), Kymco (1311), and Qingqi (1060).

So far this year, Llexeter accounts for approximately one-third of the UK Chinese motorcycle market.

Remarks Frost: "Our Pulse Scout is in a constant battle for top moped scooter sales with the Peugeot V-Clic. We outsold Peugeot last year and have been



The unassuming exterior of Llexeter's HQ building hides the plethora of spare parts, accessories, new bikes and showroom housed within.



**LLEXETER TIMELINE**

- 2001** Leon Xu and wife move from China to UK. Leon studies for Masters Degrees in Finance and Marketing.
- 2002** They start business importing recreational electric and petrol scooters from China and selling on eBay.
- 2005** Motorcycle import begins.
- 2006** Pulse range launched. Based at Exeter, Devon.
- 2007** Move to much larger premises.
- 2008** Lexmoto launched. CMPO (Chinese Motorcycle Parts Online) launched.
- 2009** Second warehouse added.
- 2011** April: Daniel Frost, 24, joins as sales assistant, he was previously a Toshiba technical support specialist. Mezzanine floor added to warehouse. Sales of Lexmoto and Pulse models increase by 272 and 107 per cent respectively
- 2012** Online warranty claims system introduced, run by Matthew Squire.

on top for all but one month in 2012. The Scout retails at £649. The V-Clic price has just been dropped from £1199 to £1000. We hope our lower price point will outweigh the Peugeot brand name."

**THE FUTURE**

Xu predicts that Chinese market share will continue to grow year-on-year, and he aims to make sure that his Lexmoto and Pulse brands lead the way.

Continuing to build his nationwide dealer network is a key strategy, so that customers do not have far to travel to see and buy two-wheelers, accessories, parts and have machines serviced.

The two-marque strategy broadens the sales potential, and his CMPO parts set-up ensures that machines in today's all-important lightweight and commuter sector can be kept on the road.

Keeping new bike costs lower than second-hand prices for Japanese and European models, persuading suppliers to continue to improve quality, making sure dealers earn at least £250 from every unit sale from the smallest model upwards, and offering swift delivery and further trade discounts adds up to a realistic, common sense approach to today's market that will surely maintain the onward march of Chinese product in the UK.

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