

# PROUDLY CHINESE

**Llexeter sells more Chinese 50cc and 125cc machines in the UK than any other brand distributor, only sells through dealers and offers margins of up to 40%. How does it do it? Report: Peter Henshaw**



Lexmoto is the Honda of Chinese 50s and 125s. Together with sister brand Pulse – both imported and distributed by Exeter-based Llexeter – it dominates this end of the market, regularly appearing in the top ten UK registrations lists. In 2012, 2013 and 2014, combined Pulse/Lexmoto sales topped 6000, enough to give them almost 50% of the Chinese import market. Even including non-Chinese competitors selling for less than £1500, it still outsold the second-place brand (Peugeot) by more than two to one.

That's not bad for a brand name that didn't exist ten years ago, and this rapid rise to the top of the tiddler market comes down to one thing – price. Just about every model in the range is cheaper than the competition, starting with the Pulse Scout 50, which retails at £650 with a 26% margin.

"All our retail prices are based on what the bikes cost us to bring in,"

says Llexeter's business development manager Daniel Frost, who joined the company in 2011. "We don't look at a bike and think, 'how much could we sell this for?' Instead we think, 'what can we sell it for?' We want to get as many people into motorcycling as possible."

Of course, it hasn't all been plain sailing, but according to Frost, Llexeter has succeeded by turning problems into opportunities.

"In the early days," he says, "the problem was that Chinese bikes didn't have proper spares back-up, and we would actually be dismantling bikes to get the parts. So we set up Chinese Motorcycle Parts Online and now buy many spares direct from the suppliers. Then there was the branding problem – customers

didn't recognise the Chinese names, so we created our own brand." He adds that a lot of customers had their fingers burned by buying from internet sellers who provided no back-up at all. Llexeter's solution was to abandon eBay and only sell through dealers.

**"Many products bearing Western brand names actually come from the Far East"**

#### THE DEALER STORY

Five years on, the dealer network runs to 128, though there are still some gaps – just five

dealers cater for the whole of Greater London, another three cover the North-East, while sizeable towns such as Worcester and Shrewsbury have no Lexmoto presence.

"We concentrate on dealers who sell to a local area," says Frost. "To optimise their territory, we can plot their sales history on Google, which

also lets us identify gaps." He adds that there's nothing to stop dealers distance-selling, but this is something they discourage.

Llexeter isn't averse to a bit of inter-dealer rivalry, though. Frost cites the example of a Plymouth dealer who complained that sales had dropped off since Trago Mills in Newton Abbot [more than 30 miles away] had taken on the franchise. But the competition pushed him to find new premises and offer delivery, training and finance, with the result that 2014 was his best year with the brand. As ever, the importer rides a fine line between allowing dealers a sustainable territory and keeping them hungry.

Lexmoto/Pulse dealers tend to be smaller independents, which the company appears to prefer to the bigger franchise outlets. Having little national advertising or (it has to be said) a high street brand name to fall back on, dealers tend to work harder on local promotion. "A couple of smaller dealers who have done this



have quickly built up to 100 units a year," says Frost, adding that some were used-car dealers who took on the 125s as a sideline then dropped the cars to concentrate on bikes.

Whether car or bike dealership, they must have a showroom and workshop. Two account managers – Chris Pallett and Rob Woolley – look after dealers and are based at Llexeter HQ, on the end of the phone.

If there is a downside to being a Lexmoto dealer it's that the 12-month warranty is parts only, with dealers covering the labour. Frost explains the thinking: "Because we, not the Chinese factories, provide the warranty, it's in our interest to keep claims to a minimum. If a problem comes up, we sort it out as soon as possible – Adrenaline downpipes used to rust for a pastime, so we now use stainless steel pipes. And the parts-only warranty encourages dealers to fully PDI the bike, because this saves them potential labour costs later on." He adds that many dealers have chosen to offer extended warranties of two, three, five or even seven years (or in one case "lifetime"!), which of course ties the customer in to dealer servicing.

Finance hasn't been available so far, not, says Frost, because the industry distrusts Chinese bikes, but because the small sums involved haven't made it worthwhile for lenders. But that is changing now, with Black Horse, MotoNovo and Close all taking a harder look at the market for small loans to suit cheaper bikes. And a company named Superbike Loans is now offering finance through

Lexmoto dealers, on a minimum loan of £800.

As for parts, the Llexeter spares brand has been around for five years, starting out with top boxes and now offering a complete range of bits. Frost points out that Llexeter's buying power means it can deal direct with the Chinese manufacturers of chains, sprockets, tyres or anything else, getting consistent quality and good prices as a result. LED indicators, for example, retail from £7.99 a pair.

#### BIKES AND BRANDS

Geared bikes and twist 'n' go scooters have always been part of the range, which currently runs to 13 bikes and 15 scooters. The bike/scooter sales split is about 50/50, though, of course, 125s now outsell 50s by a big margin. Budget commuters are still catered for by the pushrod-engine Arrow and the Diablo scooter, which uses two valves but produces 6.6kW of power instead of 5.5-5.7kW as per traditional scooter engines.

In fact, 2015 should be a bumper year – Lexmoto is said to be up 33% on last year, with 13 new models expected, although, in the way of Chinese bikes, the "new" bits are more about style than engineering. The newly arrived Valiant follows the current trend for retro 125 motorcycles, while the Harley Sportsterish (you have to squint a bit) Michigan cruiser has already arrived. What we won't see is a 500cc or 650cc Lexmoto (see panel, right). ➔

Above, from left: Lexmoto ZSF is made in the same factory as the Yamaha YBR. Pretty in pink – Valencia is one of the more niche 125s. Vienna retro scooter has a basic tech spec but looks the part.

#### BIGGER LEXMOTOS?

So will we see a Lexmoto 500, 650 or 750? The short answer is no, and even the case for a 250 is looking shaky.

"It all comes down to price," says Daniel Frost. "We can offer the 125s at such low prices because the volumes are so high. But only a tiny percentage of Chinese output is of bikes over 150cc, so there's less of a price advantage with the bigger machines. The Adrenaline, our only 250, has done OK, but our bread and butter is the 125."

He adds that this was one reason why the company decided not to pursue the RX-3, the 250cc adventure tourer, which is available badged as a Honley and supplied by Yorkshire dealer/distributor Earnshaws Two-Wheel Centre.

There's no sign that Llexeter will jump into the pedelec market, either – "we want to concentrate on our core products," says Frost, "and that's 50s and 125s."



Llexeter decided not to pursue distribution rights of the RX-3, deciding instead to concentrate on its core moped and 125cc market.

Selling direct to the

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Business development manager Daniel Frost says Llexeter is committed to selling bikes only through dealers.

Nor will there be any great technological leaps, with fuel injection still over a year away. Relatively low production volumes would add £100-£150 to each bike (a lot of money in this market) and not until 2016, when the introduction of China 4 emissions laws will force manufacturers' hands, will we see injected 125s. "Most of our dealers prefer carbs anyway," says Frost, "because that's what they're used to."

We may never see a fuel-injected Pulse, though, because the brand is being phased out. The original

idea was that Pulse would appeal to younger riders (quicken heart rate and all that), with Lexmoto taking care of the commuters. This was diluted when sporty 125s like the XTRS were sold as Lexmotos, and the final nail for Pulse was that the name doesn't work so well on internet searches, whereas tapping in "Lexmoto" puts the official website on top of page one.

You won't be surprised to hear that with a young workforce, and many customers aged 18-28, Llexeter is well up with social media – the website averages 40,000 hits a month, and the company uses Facebook and Twitter to keep in contact with customers. In fact, it recently used Facebook to consult "friends" on which headlight style the ZSF should use – surprisingly, the social media generation opted for a traditional round one.

Whatever, it's clear that, as with bigger bikes, many 50cc/125cc buyers are doing their homework online before walking into a showroom.

Llexeter doesn't just rely on virtual promotion, though, and took the unusual step of displaying bikes at motorway service areas. "We looked at various ways to promote the bikes across the country," says Frost. "We could have used shopping malls, but these tend to have local footfall only, so would have favoured the local dealer. Motorway services have a high throughput of people from a wide area, so they benefit more dealers."

#### MADE IN CHINA

There's still a bit of a stigma about Chinese bikes, but from the out-

#### LEXMOTO'S NEW BIKES FOR

Six new 125s spearhead the Lexmoto range this year:

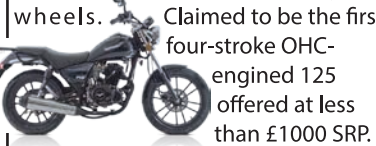
##### Venom, £1349.99 SRP

Geared 125 with digital dash and a built-in MP3 player. Input your favourite tracks via USB or a MicroSD card, then listen via speakers built into the side fairings. Black/green or blue/white.



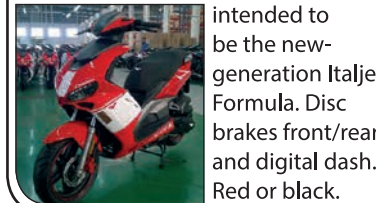
##### ZSB, £949.99 SRP

Smart looking custom 125 with balance-shaft motor and alloy wheels. Claimed to be the first four-stroke OHC-engined 125 offered at less than £1000 SRP. Navy blue or grey.



##### Diablo, £1299.99 SRP

New flagship sports scooter with Italianate styling – it was originally intended to be the new-generation Italjet Formula. Disc brakes front/rear and digital dash. Red or black.



##### FMS, £879.99 SRP

Replaces the long-running Gladiator, with similar engine and 13in wheels, plus rear disc brake and LED running lights. Red or blue. The FMX (£899.99) is a premium version of the FMS, in pearl white or gunmetal grey.



##### Michigan, £1399.99 SRP

Four stroke 125cc cruiser with balance shaft. Features Sportster-style looks for the learner legal market. Orange or grey.

##### Matador, £899.99 SRP

A sports scooter with a "punchy" four-stroke motor. Green or orange.

##### ZSA, £899.99 SRP

Featuring a modern-styled bike built around a reliable 125cc OHV motor. Red or blue.



##### Valiant, £1299.99 SRP

Classic café racer styling with a dependable four-stroke 125cc motor at a competitive price tag. Cream or black.

and-proud "Made in China" page on Llexeter's website, you wouldn't think so. "It's just about being transparent and honest," says Frost. "A lot of companies try to hide things. I've walked factory floors in China and seen big-brand scooters being assembled, complete with Italian flag badging. I think that's a little bit misleading. We could wave a British flag and pretend that everything is made in Exeter, but it wouldn't be true."

He thinks attitudes towards Chinese bikes are changing, but some people are still revisiting old information on the internet.

One thing that has helped is the dawning realisation that many products bearing Western brand names actually come from the Far East. Zongshen, one of Llexeter's eight Chinese suppliers, also makes scooters for Aprilia and Piaggio, car

seats for Ford and components for Harley-Davidson. Jianshe, which manufactures Lexmoto's ZSF, also makes the popular YBR commuter model for Yamaha.

Meanwhile, back at an industrial estate outside Exeter, a new warehouse, completed late April, has just about doubled Llexeter's floor space. The importer is now able to stock 4000 bikes at a time, which even in busy months (when about 800 go out) should give a comfy buffer.

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#### TIMELINE

- 2001** Leon Xu and wife Lily move from China to the UK. Leon studies for Masters degrees in finance and marketing
- 2002** Launch business importing various different leisure products from China, selling on eBay
- 2003** Llexeter Ltd launched
- 2005** Motorcycle imports start
- 2006** Pulse range launched, based near Exeter
- 2007** Move to larger premises
- 2008** Lexmoto and Chinese Motorcycle Parts Online launched, Lexmoto and Pulse identified as manufacturers in registration statistics.
- 2009** Second warehouse added
- 2011** Sales boom by over 70% to 5000. Lexmoto appears in UK top ten registration figures for first time
- 2012** Pulse and Lexmoto both in UK top ten. Online warranty claims system launched. Runner-up, Small Business of the Year for Exeter
- 2013** Pulse/Lexmoto now make up nearly 50% Chinese bike sales in UK
- 2014** BDN Scooter Franchise of the Year
- 2015** Pulse brand dropped, 13 new models launched, new warehouse doubles storage capacity

