

## Case Studies in Entrepreneurship

### Hightech Components

Hightech Components started life as a representative agent for Inland Motors, a US manufacturer of high quality precision servo components for closed loop control systems. It was set up by Roger Lacey, who had initially worked for Precision Systems, the UK subsidiary of Inland Motors, as a salesman. However sales were disappointing and Inland decided to close its subsidiary down, instead offering Roger an exclusive contract to operate as UK sales representative for Inland Motors on a commission-only basis.

A servo is a system in which the main mechanism is set in operation by a subsidiary mechanism and is able to develop a force greater than the force communicated to it. It is used in a wide variety of specialist applications such as radar systems and robotic arms where mechanisms need to rotate or move in different directions simultaneously. The servo components and systems Hightech sold were very high quality, precision instruments and the company quickly became an approved supplier for a large number of military, aerospace and industrial applications on land, sea and in the air. It also became an approved supplier to the Ministry of Defence.



Ten years later the company had seven employees and a turnover of £2 million. It had over 200 active accounts, mainly with blue-chip customers. Hightech now exclusively represented five companies in the UK including three divisions of Inland Motors - Speciality Products, Defence Products and the Sierra Vista Division - as well as three other US companies - Inductosyn International, Sequential Electronic Systems Inc and Airflyte Electronics Company - and Thomson CSF of France. In acting for these companies Hightech was able to offer its customers a full range of servo products, including drives, controls, position and velocity transducers and amplifiers. Few UK competitors offered the comprehensive range of components that Hightech now offered. This meant that customers could obtain all the servo components that they needed to build systems without needing to go to other suppliers.

Hightech had a very professional approach to selling, following through on leads in a systematic manner, researching companies and their applications before approaching them and building close relationships once they became customers. It presented itself as a professional organisation helping engineers solve difficult technical problems. It offered seminars either in-house or at the premises of client companies. Rather than advertise, staff devoted time to writing technical articles for magazines, always mentioning the Hightech name. The only advertising space the company bought was in the trade reference manuals used by engineers looking for Hightech's type of equipment. The company only exhibited once or twice a year. It had high quality sales literature. It tended to use bright colours which would stand out on an engineer's cluttered desk. In this way company achieved a conversion rate of enquiries to orders, of around 15% compared to the industry average of about 5%.

Hightech had found a comfortable market niche for itself, but growth prospects were limited. This incremental growth was mainly based on finding new customers, particularly as new applications for servo mechanisms emerged but also based on making the most of the excellent relationships they already had with their existing customers to try to sell more to existing customers. To help with this strategy Hightech continued to try to find new companies to represent in the UK. However, the problem was that these would have to be complementary products and be

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acceptable to the companies Hightech currently represented - particularly Inland Motors.

Hightech continued with this successful strategy. Five years later it had over 300 active accounts and turnover had topped £3 million. Hightech was also representing two new companies; Astro Instrument Corporation of the USA, which produced a unique brushless motor gearhead range that produced very high torque, and PMI Technologies of the USA, a sister company to Inland Motor producing low inertia printed circuit motors.



Relationships with the companies Hightech represented, particularly Inland Motors were always good. Roger Lacey paid regular visits to them and Hightech made extensive use of the companies' promotional material, suitably rebranded. However, Hightech's continuing success was not going unnoticed. Two years later, Kollmorgen Motion Technologies Group, owners of Inland Motors, purchased the assets and liabilities of Hightech and Roger Lacey became Director of European Business Development at Kollmorgen, responsible for improving the company's market penetration in Europe. Both parties were happy with the outcome.

### **Case questions:**

1. Why was Hightech successful? How would you describe its marketing strategy?
2. What were the continuing business risks that Hightech faced as an agent during its seventeen years of independent life?
3. Was Hightech's approach to growth sensible? What other options did it have and why might they not have been pursued?