

## Case study for Chapter 11

### Tyron Automotive Group Ltd

---

Tyron Automotive Group Ltd. Manufactures, distributes and services a comprehensive range of safety systems for vehicle tyres. The main customers for the systems are police forces, security companies, emergency services, armies, trucking companies, and even the general public via a system of distributors. The products allow the vehicle to continue to be driven even if the tyres burst or are shot out.

Founded in 1979, Tyron developed, in conjunction with Avon Tyres, the first commercially available products for steel drop centre rims as a direct result of a request from the UK's Ministry of Defence to overcome the immobilisation of vehicles by having the tyres shot out or deflated by running over booby-traps. These first 'well filler' bands were sold throughout the world, primarily to military, government and security organisations. The systems vary from an economical "run-flat" system which allows the vehicle to continue for a short distance so that the driver does not lose control in the event of a blowout, through to military systems which allow the vehicle to be driven for 50km or more on flat tyres. The latest version of the Tyron product can cope with a blowout at 150 mph, and is expected to be a big seller to police forces.

The company was founded in 1979, and in 1984 it allowed its patented products to be manufactured under licence. This gave the company a worldwide presence, but in late 1990 these licensing agreements ran out, leaving Tyron with a major gap in its marketing programme. From 1991 to 1993 the company made considerable efforts to develop new products, working closely with tyre, wheel and vehicle manufacturers, and investing substantial sums of money in new plant and machinery to produce the improved products. The difficulty the company faced was in finding suitable distribution for the products, especially in foreign markets.

The company salesforce eventually recruited more than 1,000 distributors throughout England, Wales and Scotland: typical distributors are tyre fitting companies, caravan suppliers, automotive parts suppliers, and garages. These are mainly small firms, but they ensure a very wide distribution throughout the mainland UK: there is even one distributor in Northern Ireland. These distributors fit the systems to existing customers' vehicles.

For international sales, the company eventually contacted Trade Partners UK, through its local chamber of commerce. Trade Partners UK (TPUK) is a Government organisation set up to help small firms to export. TPUK provided training for Tyron's salesforce, and also arranged for the company's managing director, Tony Glazebrook, to attend two trade fairs – Meplex in Dubai, and Intersec. The second of these trade fairs was followed up by a visit to Australia and New Zealand under the guidance of TPUK's export experts, the trade attaches of the British embassies in those countries.

As a result of these initiatives, Tyron appointed several new distributors in the Middle East, resulting in immediate orders worth over £110,000 each. This is a substantial sum for a firm employing only 10 people. The company went on to appoint distributors in France, Benelux, Australia, Trinidad and Tobago, Germany, the USA, Indonesia, Singapore, Sweden, and Oman. These lead distributors are expected in turn to appoint sub-distributors within their own regions and countries (although the USA distributor has yet to leave California). Recruiting sub-distributors is a slow process, and in some cases the national distributors have made little progress, but in the long run the company expects substantial growth from these foreign distributors.

Tyron now expects 70% of its total sales to come from exports in 2003/4, and is also pushing ahead with new products. By approaching caravan and vehicle manufacturers the company is hoping to have its products fitted as original equipment. Tyron tends to be a product-orientated

company, so the help given by TPUK has proved invaluable: managing director Tony Glazebrook said, "Getting help from Trade Partners is the best business decision I ever made."

### Case Study Questions

1. Tyron are relying heavily on distributors. What other methods might be appropriate? *Tyron could market direct to the industry, since there are relatively few companies specialising in fitting this type of product. Setting up subsidiaries in the target countries would give more control over the marketing process and would probably increase profits as well in the long run.*
2. What are the advantages for Tyron of using overseas distributors rather than setting up a subsidiary in the target country? *The main advantage of using distributors is that it is very much cheaper than establishing subsidiaries. For a small firm, the cost of setting up a subsidiary is prohibitive, and would seriously limit the company's growth rate. In order to capitalise on its technological lead, the company needs to expand distribution as quickly as possible.*
3. How might Tyron's dealers respond to the news that the company is seeking to have the systems fitted as original equipment? *The dealers will need to be placated, since having the systems fitted as original equipment will reduce their markets correspondingly. One way around this would be to let the distributors supply the OEMs.*
4. For a major market such as the USA, how might Tyron speed up the process of acquiring distributors? *Tyron could speed the process by appointing a lead distributor for the whole country, charged with the task of recruiting distributors nationwide. The lead distributor should be given agreed targets, and should lose the distributorship if the targets are not met.*
5. What other approaches might Tyron have for dealing in the USA? *Tyron could establish a marketing presence in the USA, using a subsidiary or a joint venture. This would give more control over what is happening, and would probably be a worthwhile investment considering the potential returns from such a large market.*