

Embrace the power of selling online

Published Date: 28 July 2009

By Jane Bradley

IT SOMETIMES takes a short, sharp shock to put things into focus. That was what Callum Kegg, managing director of power tools supplier Noel Kegg, got last year.

When the family-run business took a £70,000 hit from a customer that failed to pay after suffering its own financial difficulties, company bosses realised the firm needed to change its strategy drastically or face a cashflow crisis in the coming years.

Having launched its first online offering, branded as Toolstop, just 18 months before, many of the firm's 20 staff were sceptical. But the company, which previously generated 90 per cent of its business through accounts with companies within a 25-mile radius of its Lanarkshire headquarters, saw the bad debt as a wake-up call to expand the business.

Now the company's turnover, which was last year at a healthy £4 million, is set to surge to £7m in 2009 – off the back of strong online sales both in the UK and overseas – and staffing levels have been boosted to 35. The Toolstop brand is a subsidiary of Noel Kegg, which launched in 1965.

"We had been going for nearly 45 years and were quite a traditional company," explains Kegg. "But from that moment on, we really changed direction.

"Staff were a wee bit reluctant to embrace the website when we had launched it a year earlier, but when that happened, it made us really take stock and decide to work together as one company and get everyone involved with the entire business."

Until that point, Toolstop's staff had been working as two separate entities – a handful on the internet business and the rest on the traditional accounts.

The guilty company, which Kegg is reluctant to name, went into administration briefly in October, leaving Toolstop with an unpaid £70,000 debt – but was rescued a short time later.

"It seemed they were only in administration for a minute and then bounced back – but we never got our money," recalls Kegg.

"We were caught out by that and it taught us that we really needed to spread ourselves into different areas."

He adds: "Online, you are much less likely to have bad payers than you are with account business as payment is instant."

Traditional business had been waning for some time, as construction work halted – and Scottish companies found themselves in the grip of the economic downturn.

Kegg says: "We didn't lose many customers, we just found that they were having cutbacks and we were seeing orders reduce."

Toolstop's web designers have worked hard to get the company ranked highly in search engines and also on price comparison websites.

"People who search online are exactly the types of customer we are looking for," explains Kegg.

Two years ago, the company had never shipped a single tool abroad – but now, what Kegg describes as "a fair percentage" of the company's business is sent overseas, using courier companies such as TNT.

"I think our success overseas has been to do with the strength of the euro right now," says Kegg. "However, that might not continue and we may be more reliant on the UK market in the long run. It's difficult to tell."

But in a double round of upbeat news for the firm, amid a strong push towards the online side of the firm, the business account market has started to pick up. "We have definitely seen an improvement in the past three months," says Kegg.

"But we definitely got into the internet market at the right time.

"If we had not done it when we did and we were desperate for traditional business now, we wouldn't have the resource to invest in it.

"We took a sizeable risk at the time, but it is definitely paying off."

He adds: "If we hadn't done that at the time, we would be in the same position a lot of other people are in at the moment: in trouble.

"As it is, we are likely to experience around 80 per cent growth this year – we have already turned over as much at this point as we did in the whole of last year."

<http://business.scotsman.com/ebusiness/Embrace-the-power-of-selling.5498086.jp>