

Interview with Uroš Rosa, CEO

How hard is it to lead a company like Akrapovič?

Leading a company like this is very demanding. This is a company with 600 employees, which is no small number. Moreover, our company is extremely complex in terms of the technology used because we produce a large quantity of diverse products that we sell in sixty-eight countries and on every continent. As you can see, we're not going to run out of challenges any time soon.

What's the most important area of your work?

My philosophy is that a company is made up of the people working for it. This also applies to Akrapovič. Our employees are the most important factor. If a company doesn't have the right people and if the management doesn't treat them right, this company simply can't provide the best services, the best products, and, ultimately, good results. A company without a feel for its employees can't be successful.

True, people are an important factor, but the state-of-the-art technology is also very important. Akrapovič is a high-tech company, and so how important is the impact of technology?

Technology is a key success factor for the company. If we're talking about Akrapovič's competitive edge, then we have to highlight our key advantages.

Akrapovič uses titanium as the basic raw material for its products. We also direct our know-how to the development of exhaust systems, numerical simulations, and of course testing. For us, technology is the basic condition that enables us to produce the final product. Our goal is to become the leading manufacturer of exhaust systems and innovative titanium products. Three factors are of key importance to us.

First of all, the employees, as I already mentioned. All of our employees—that is, those making individual products. Then there's the product, which we want to be the best in the world. We manage to achieve all of this simply because we believe that only the best is good enough. Well, and then there's the third factor: our customers. Of course we make products for our end buyers, who we treat as business partners rather than just customers. It doesn't matter whether we're dealing with an end buyer, a distributor, one of our partners, a large corporation, or a racing team: we try to maintain a good partnership with all of them.

But you need passion to achieve such corporate success. Is passion also what gives Akrapovič a competitive edge?

Definitely. Passion is a key factor in the company's operations. If you're not interested in cars and motorbikes, or in motorsport, and if you haven't got at least a little gas in your veins, it's hard to be successful in this line of work. But we've got all of this. You can feel the passion everywhere in our factory. Our employees love to follow the races and a lot of them take part in car and motorbike races themselves. Akrapovič has a very strong passion, and without that you simply can't work in this line of business.

Business growth is a constant at Akrapovič. What have the figures been showing lately?

Our sales have been very positive lately. Even though sales on the European motorcycle market have dropped by 20 to 30%, the sale of exhaust systems continues to grow. Despite the difficult global situation, we're continuing to expand into new markets. We're already present on every continent and you can buy our exhausts in sixty-eight countries. In addition, we're entering new segments. We've been increasing our involvement in the car segment in the past years and the sales look very promising in this segment.

How do you monitor the response of your customers—that is, the end buyers of your products?

We use various methods. But it's true that the customer responses can be best reflected through the various awards we've been receiving over the past years, such as the Best Brand award in the relevant category. These are awards and recognition that we have no influence over. They mainly involve individual projects by editorial boards of important specialized magazines, in which the votes are provided by the readers—that is, the end buyers and users of our products.

Well, of course we also communicate with our buyers and users over the Internet, which makes it possible to establish direct contact and communication with every individual. Our customers can also participate in various online forums, where they can post their opinions and experience with buying and using our products. Many of them even post videos showing what they've purchased, or how they assemble and use our exhausts. There's nothing better than seeing happy customers sharing their excitement about our products over the Internet.

We've also been seeing certain trend changes in the past years. How do you react to changes in the market, such as the decrease in the sales of Supersport bikes or the increase in sales in certain other segments, such as the custom segment?

Decreased sales of Supersport bikes provided the impetus to enter some other segments that we might not have tackled otherwise because our production lines were already working at full capacity.

Thanks to the decrease in the sales of Supersport bikes, we were able to focus on the scooter market, which is growing, judging from the increasingly popular use of scooters in cities. This is a very important new segment for us, as is the custom motorbikes segment. I think that in the custom segment, if we only focus on Harley-Davidson buyers, 80% of the owners decide to replace the stock exhaust. We also entered this segment due to a slight decrease in sales in the Supersport bike market, which isn't nearly as dead as it seems at first glance. You have to remember that in countries with the greatest potential for motorcycle sales this segment hasn't even started developing yet. Supersport bikes are only beginning to enter the Asian markets.

In 2008 you began producing car exhaust systems and you've been recording rapid growth in this segment. Will this be even more pronounced in the future, maybe even thanks to the brand's high international profile in the motorcycle exhaust segment? Do you think car exhaust systems could overshadow the production of motorcycle exhausts in the future?

Entering the car segment in 2008 was completely different from the company's beginnings, when it started producing motorcycle exhausts. The profile of car exhaust system buyers is totally different

from that of motorcycle exhaust buyers. The user of a performance car doesn't necessarily have the same buyer profile as a Supersport bike user.

It's clear that car and motorcycle exhausts are different as soon as you look at them. Ninety percent of the motorcycle exhaust is visible, whereas the car exhaust is almost always completely hidden.

The first major project was the titanium exhaust system for the Porsche 911 GT2. We continued to build the profile of the Akrapovič brand by working together with Audi. We've been supplying exhausts to their racing department for Le Mans race cars since 2010, and we've been their official technical partner since 2012. Then we started working together with the Audi and BMW teams in the DTM series, and we've been the official partner of Aston Martin in the FIA World Endurance Championship since 2013.

We're strongly connected with the world of racing, including car racing, and here the promotion of our brand is similar to motorcycles. But nonetheless this is a completely different story because, as I already mentioned, the buyer profile is completely different.

It's really hard to predict whether the production of car exhaust systems will exceed that of motorcycle exhausts, but it can definitely reach the same level. But this won't just happen overnight because this is an extremely specific market.

Stock exhaust systems on cars and motorcycles are getting better and better. How do you make your products even better and more advanced?

True, there's always the question of how to improve something that's already very good. And I agree that stock exhausts are getting better all the time. That's why our work gets more difficult every year. But we've got lots of experience and know-how that's accumulated within the company over all these years. We specialize in only one area: exhaust systems. We've got the experience and the know-how, and we also do a lot of testing. We really try hard to optimize every single exhaust system, and this is what gives us an advantage over the producers of stock exhausts. We've got the technology that allows us to focus on the details and technical solutions, which large corporations—which already have too much work developing the entire car or motorcycle—simply can't focus on or don't have time to concentrate on.

We've got our own titanium foundry, which allows us to produce individual parts of the exhaust system when there's no other technology available for that.

We also produce our own tubing for the exhausts and use cold forming to shape the titanium, which is highly specialized work. To sum up, we use state-of-the-art technology and have twenty-two years of experience. We've managed to develop and optimize our R&D and production process to an extent that's enabled us to transform it into a competitive advantage over stock exhaust manufacturers because we can always improve on each and every stock exhaust.

Titanium will probably become a strategic raw material in the future. Will your foundry provide an important business opportunity to your company in the next few years?

The foundry has been one of the largest investments in the history of our company.

The basic purpose of building it was to recycle technological waste. This allows us to melt the waste created during exhaust system production and reuse it for part of the exhaust or any other type of end product. Without the titanium foundry, we wouldn't have been able to enter the car segment the way

we did. There are simply no other technologies available yet that would make it possible to produce some of the extremely complex components of the titanium car exhaust. In some cases, casting is the only possible way to produce individual sections. But the purpose of our foundry isn't just to produce exhausts. Other areas, such as medicine, are also extremely important. We've already been working together with certain recognized producers of medical equipment. At the moment, we're in the process of acquiring the EN9100 aerospace industry certification for the foundry. This industry is going to expand in the next few years and will provide a good opportunity for casting certain airplane components.

There's also great business potential in casting impellers for turbocharged engines. The trend of decreasing fuel use in cars suggests that engine volumes will continue to decrease in the future, and that the majority of cars will use turbocharged internal combustion engines.

Where and how do you see the company in five or ten years?

The company's mission will likely remain the same: to be the leading manufacturer of exhaust systems and innovative titanium products.

The fact is that at the moment both the motorcycle and car industries are primarily focusing on reducing the vehicles' weight. This is currently the common thread of development for any vehicle because less weight improves fuel efficiency and reduces fuel consumption. Because of this, titanium products in particular will play an important role in the future. The weight of a car exhaust can be reduced by up to 20 kg. But this isn't just about exhausts. In the car and motorcycle industry, a number of titanium products can be made and used. Of course, our vision is also to enhance the Akrapovič brand, strengthen the connections with our business partners, and continue to work well together with race teams and the world's best racers, so that Akrapovič products continue to take the top places in various races around the world.

To conclude, can you tell us something about your connection with customers? What do users actually get when they buy an Akrapovič exhaust system?

The user gets the best materials, the best design, and the technologically most advanced product. There are practically no differences between the exhausts used in world championship races and those that anyone can buy in a store. I often also say that there's no difference between our company and a race team. We're all on constant standby, work fast, and can react at any moment.

Well, actually there is still one difference. Before the race, each team can at least have a couple of training sessions, followed by the qualifiers. The race, where racers show what they can do and how bold they are, only takes place after that. Things are different in the business world. There are no free training and qualifying sessions. It's all a race. And you know how things are in races. The racers have to constantly focus on their ride, on each centimeter, and on the mistakes of their rivals. They have to watch every meter of the race track and every move. If anyone relaxes a bit too much for just a moment, he risks being passed, or making a mistake and falling or flying off the track. The same applies to business. If you relax for just a moment, you risk losing the race, the championship, or even the world champion title.