

Editorial

As VAT Forces Price Hikes, Don't Get Caught Short on Cash

If there was remaining doubt in anyone's mind of China's influence throughout the bicycle supply chain, it has been quickly and definitively removed.

The Chinese government's decision to reduce the rebate on its value-added tax clearly demonstrates the power China has to affect product pricing down to the retail level.

Product managers wasted no time addressing the situation and immediately began negotiating with factories

to offset some of the lost rebate. Still, most seem resigned to take the hit. Major suppliers already have accounted for the 4 percent difference in higher 2008 prices, and others will likely follow suit.

Consumers will ultimately bear the burden of increased costs, paying as much as 8 percent more than last year for a similarly equipped bike. Many consumers won't know the difference and pay without question. More savvy customers will question increases, but

probably can be appeased by a salesperson with a ready explanation.

Retailers may think themselves unaffected middlemen, but they will need to plan ahead to account for larger orders. Retailers will have to front the additional cost, paying more than in the past for a mix of bikes.

Large orders of a similar model mix as in past years could jump substantially in price. Most retailers will be given generous terms that allow them to see some return on investment before in-

voices are due. Still, it may be wise to exercise caution when placing big initial orders.

As some suppliers become more aggressive in defending their dealer agreements and collecting on payments due, retailers should pay careful attention to the amount they will owe.

Increasing an order with a rigid supplier means making sure you have a plan to pay off the total if that supplier comes looking for payment before you expect invoices to come due.

Guest Editorial

Maturing Demographic Drives More Demand for Recumbents

Only a fraction of international bike dealers have adjusted to the changing demographic of avid cyclists. The number of people aged 50 and over is increasing at an exponential rate and they're bringing their bikes with them. Unfortunately, they're also hauling painful side effects from years of riding traditional uprights—back, neck, wrist and crotch pains.

After years of cycling, these pains are tallying up with baby boomers, a fast-growing segment of our population looking for alternate ways to ride. For cyclists who don't want bent backs, there are 'bent bikes.

Recumbent bikes, although in existence for 100 years, are coming into their own as studies surface linking biking with erectile dysfunction and genital numbness—problems that recumbent bikes correct by repositioning the body. This new demand is compounded by the rising tide of "green-minded" individuals who want to use bikes as carbonless transporta-

tion and/or save the cost of \$3.79/gallon of fuel.

Some facts about targeting customers over 50 (the "Whoopie" Generation):

- People over 50 spend more than any other demographic group.
- The net worth of people over 50 is double the population's average.
- The number of people over 45 will increase by 36 percent from 2001-2016.
- The number of people under 45 will decline by 16 percent.
- 56 percent of all people over 50 have not yet turned 65.
- By 2008 the whole baby boomer contingent will be over 50.
- According to *Small Business* magazine (2004) products marketed to people over 50 (assuming they maintain market share) will grow by 35 percent over 20 years with the increase in number of customers. Products marketed to those under 50 will stay flat or decline.

Of the nearly 5,000 independent bike retailers in the United States, very

few carry a single recumbent bike. Recumbents have historically been such a small segment of the total market (less than 1 percent of all bikes sold), and their categorization as a hard sell has become a self-fulfilling prophecy. If you are not carrying them, you are not going to sell them.

The customer base for recumbents is going to increase as the average age of the population increases. While some ardent traditionalists may stick with their pains, a great number of consumers are no longer willing to settle for it.

The majority of these sales are going to new customers, which should not affect traditional sales. Shops will miss out on substantial business if they don't carry 'bents.

There are 4,550 IBDs in the United States selling roughly 3.2 million bikes between them. Using industry averages, a typical small dealer will sell around 500 to 1,000 bikes a year for an average price of \$420 a bike. Sell just one recumbent a week and annual profits

could increase 5 percent.

It is proven that 50- and 60-year-olds these days are more active than they were a decade ago. This means that many individuals in this age bracket will be new (or at least returning after a long hiatus) to the local bike shop.

Given the shifts in demographics and factoring in effects of income, health concerns and environmental issues, there is reason to believe that 'bents will eventually account for upwards of 3-4 percent of all bikes sold and a much greater percentage of those units sold through IBDs. This would represent a 300-400 percent increase in the number sold in a year.

As with most emerging trends, it's imperative to strike while the iron's hot, and there hasn't been a hotter time for the recumbent bike market.

Rob Redfearn, marketing manager for Cruzbike, has over 20 years experience in marketing, consulting and business management.