

# Editorial

## Cycling's Future Looks Bright Despite the Troubled Economy

As you read this issue, we hope you find our special 16-page section on Orange County, California, retailers interesting and revealing. For our staff and our sponsors—Giant Bicycles and Pedro's—the week we spent talking with these dealers reaffirmed our long-held belief in the power, diversity and ingenuity of specialty retail.

In general, it's fair to say these retailers view the New Year with concern. After all, we've heard a steady drumbeat of sour financial news for months

and most analysts predict that a turnaround is months away. Still, none fear the future. Concern yes; fear no. And we suspect the same would be true for retailers in most parts of the country.

But no industry, including ours, is recession proof. Our challenge is to manage our businesses with an eye toward the future. If ever there were a time for retailers and suppliers to work together, the time is now. Retailers need to be candid about their business and payables. Suppliers should refrain from

jamming as much inventory as they can down retailers' throats.

And let's not forget that the bicycle industry is still a greasy fingernail business. Cyclists break stuff—chains, spokes, drivetrains. And consumers need retailers to fix what they break. They need good mechanics to tune their bikes before that big century. This is the stuff that underpins our industry.

There's an emerging consensus that selling boatloads of \$5,000 road and mountain bikes will be an uphill chal-

lenge. But enthusiasts will still find the cash to upgrade wheels, buy new carbon fiber handlebars, saddles, pedals, heart-rate monitors, cyclometers and drivetrains. Opportunity abounds for sales and profits even in this economy.

This is a great industry and, putting immediate concerns aside, our future remains bright. Robert Kahler, owner of Santiago Cyclery, summed up his years in the business with a simple statement: "It's a good life." Let's keep that in mind as the year unfolds.

## Guest Editorial

## Industry is Overdue for Review, Regulation of Business Practice

BY IAN BUCHANAN

Unregulated greed has led to the current economic situation and many industries are long overdue for a review of how they do business. The bike industry is not an exception. Some things to focus on:

### Manufacturers/Distributors:

- Tighten up your accounts. The barrier to entry has become disturbingly low in recent years. For example, why is it that so many Cat 3-4 racers can quote wholesale prices and their team has an account with "distributor X"? Any amateur athlete sponsorship should be done in conjunction with a retailer, while wholesale accounts and pricing should be reserved for full-time retailers.

- Be selective opening accounts. Too many new shops are creations of passion

and lack an understanding of the challenges in the industry or how to profitably develop a business. Many distributors initially encourage these retailers by setting their opening requirements low and then filling them with product. The cycle of new shops opening and then going out of business not long after (often liquidating everything on eBay below cost in the process...) doesn't just hurt the failed shop owner—it hurts the industry as a whole.

- Police and enforce your policies. With MAP, it should be "three strikes and you're out." Similar standards should be held when manufacturers consider which distributors they work with.

### Retailers:

- Conduct category margin analysis and determine what is profitably sup-

porting your business. If a certain category requires that you sell at a discount, discard the category so you can focus on the other categories that truly drive your business. Don't sell yourself out of business (while hurting others) by selling below a sustainable margin.

- Think about to whom you offer sponsorship and discounts. For example, why does being a Cat 2-4 racer on a team entitle a rider to 20-50 percent off? Our industry provides up to half of our prospective road customers with sponsorship discounts and we often do not receive a commensurate benefit in return. The same is starting to happen with triathletes. When you provide discounts to an entire group of athletes without discretion, you do not earn sales away from your competitors—you sim-

ply take money out of the industry as a whole, while training people to expect discounts.

Our industry could use a "watch dog" organization (possibly an extension of an existing organization) that works with different segments of the industry to create universal standards and then serves as the regulatory body. We need to set our standards higher, expect more from ourselves, our competitors and the rest of the industry. If we do not, we will continue to be considered a "hobby" occupation instead of a profitable and career-based industry of professionals dedicated to providing the best we can to current and future cyclists.

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