

Editorial

Industry Hopes for the Best but it Must Prepare for the Worst

Optimism radiated from retailers and suppliers at trade shows this fall. Despite rising home foreclosures, plummeting stock markets, and frozen credit markets, the industry mood seemed remarkably upbeat.

Many point out that our industry has done better than average in past economic downturns, especially those related to spikes in the price of oil.

But while the price of a barrel of oil was a factor when consumers began tightening their belts earlier this year, prices at the pump have steadily dropped as the overall financial crisis

has escalated.

Still, observers say our industry remains perfectly aligned with other factors such as health and environmental issues.

Trek's John Burke compares bicycles to small cars, which are surpassing sales of large SUVs, as consumers look to conserve gas—and reduce greenhouse gases.

This economic downturn may turn out to be a good period for bicycle sales. Nonetheless, the U.S. economy is undergoing fundamental changes, which demand prudent responses by

anyone wanting to prosper over the next year.

Companies that avoid panic and stick to the basics will survive in this depressed market. Those that plan strategically and continually reevaluate their business in relation to the overall economy will come out ahead.

Develop a business plan and budget for increased spending in potential growth areas.

Make specific investments in areas where there is a high chance of return on them. Continue to spend, but spend wisely. Cut back on spending in areas

of weakness.

Create a worst-case scenario plan, outlining what you would do if you needed to reduce expenses by 10 or 20 percent.

Rank cost-cutting measures in order from least to most drastic. Hopefully you won't need to take drastic measures, but laying out a clear plan will prevent mistakes if cost-cutting measures become necessary.

The industry may weather this storm as well as any other. But when it comes to bad weather, those that prepare for the worst generally fare the best.