

Hybrids Can Stabilize Retail Margins as Road Sales Falter

As this issue went to press, an elite group of close to 150 pro cyclists was roaring down California's coast. Early on, the Tour of California attracted big crowds and generated considerable coverage by local news stations and newspapers—enough to make even the most cynical hopeful that the event could help road bikes maintain their recent record sales pace.

However, new data provided by the Bicycle Product Suppliers Association suggests that one should be less optimistic about future road bike sales.

The road bike market is still growing, albeit more slowly than in recent years. But suppliers caution that retailers have not sold through road bikes at a steady pace.

That could spell trouble this spring when some retailers that invested heavily in road stock are stuck with stale inventory. If retailers reduce prices to unload bikes, it could threaten values on new road bikes and result in fewer sales of 2007 models.

Pro shops anxious to protect their share of road bike sales are working on

custom fitting techniques to ensure continued high-end road bike sales even as overall sales in the category wane.

Retailers learning about proper fit and applying it in their stores look to capitalize on the cycling enthusiasts who will pay top dollar for the right fit, even if it is not necessarily the latest technology.

Retailers who have sold mainly entry- to mid-level road bikes through the recent boom can't rely on enthusiasts to keep category sales afloat. But they might find a safety net in the unlikely

form of the hybrid bike. Though far less glamorous, hybrids satisfy the needs of a wider array of potential users. And suppliers are moving hybrids like hot cakes, with a 28 percent increase in unit sales last year.

While average values remain low, retailers generally earn more margin on low-priced hybrids than on expensive road bikes. Without competition from closeout road models, hybrids stand to hold their prices and help mainstream shops keep high margins and frequent turns this year.

Guest Editorial

Retailers Who Embrace E-Commerce Strategy Can Boost Sales

BY DANIEL NISSANOFF

Cyclists everywhere are turning to the Internet as a valuable destination to search, compare and purchase bicycle frames and parts. This shift presents a tremendous opportunity for retailers to optimize sales by focusing on their online channel. Retailers can gain insight into online selling strategies by researching market data about how consumers buy goods on the Internet.

For many bicycle retailers, the online marketplace appears too broad or complex for conventional marketing plans. This misperception detracts retailers from capitalizing on what may be their most powerful revenue opportunity: e-commerce.

Merchants reluctant to develop an online sales strategy generally are deterred by two common myths:

Myth: "E-commerce isn't as important as it's hyped up to be." Online retail sales are expected to jump 20

percent from 2006 to 2007, according to eMarketer. Last year, shoppers on eBay bought and sold \$44 billion worth of goods. That's more than \$1,500 in transactions every second.

Myth: "I don't need e-commerce—my loyal customers visit my store and spread the word." Every product or brand has visibility on the Internet—whether it's the retailer's own presence or feedback posted on the Internet from customers or detractors. With a global reach, retailers can rapidly build a loyal customer base far beyond those who have access to the curbside store.

To capitalize on the opportunities the Internet presents, consider two initial steps:

1. Learn how your current customers are shopping.

To understand how your buyers shop for bicycles and equipment online, spend time on eBay searching the sporting goods category. You'll find

popular search terms, get a sense of current sales and products being offered, as well as links to discussion boards on sporting goods equipment products and sales. eBay has 203 million registered users worldwide, with 90 million users in the United States, representing a large section of consumer behavior.

2. Understand the change in America from an accumulation nation to an "auction culture." Consumers are turning to Web sites such as eBay and Craigslist to find affordable, refurbished, off-season or pre-owned premium items. This change demonstrates how individuals can leverage the Internet to find better, faster and more affordable luxury items to fulfill their wants and needs on a budget.

Retailers in many business sectors are setting up departments in their brick-and-mortar stores for pre-owned goods while simultaneously revamping their online stores to create sections

dedicated to trading or purchasing re-conditioned products.

This change in selling philosophy is encouraging bicycle manufacturers and retailers to reshape the way they do business. The economic distinctions between those who can afford a name-brand bike and those who must settle for mass-market brands will be diminished by an "auction culture" in which those who buy premium brands eventually will resell them to the general marketplace.

By understanding consumer behaviors and accepting that more goods will be sold online, bike retailers can plan for long-term success through the development of an online selling strategy.

Daniel Nissanoff is a Web entrepreneur and author of "FutureShop: How the New Auction Culture Will Revolutionize the Way We Buy, Sell, and Get the Things We Really Want."

SHOP TALK



Subscription rates and inquiries: *Bicycle Retailer & Industry News* (ISSN 1069-8493, USPS 010-073) is published 18 times per year (Monthly in January, February and September through December, and semi-monthly March through August) by NBDA Services, Inc., 777 W. 19th St. Suite O, Costa Mesa, CA 92627. Subscriptions are free to qualified bicycle retailers, distributors, wholesalers, importers, manufacturers and others allied to the field in the U.S. Subscriptions for non-qualified readers in the U.S. is \$65 per year. A one-year foreign subscription, payable in U.S. dollars, is \$78 in Canada and Mexico. For all other countries (Airmail only) it is U.S. \$173. Two-year subscriptions receive a 20 percent discount: U.S., \$104; Canada/Mexico, \$125; overseas, \$277. Periodical postage paid at Laguna Hills, CA 92653 and additional mailing offices. POSTMASTER: Send changes of address to *Bicycle Retailer & Industry News*, P.O. Box 1294, Skokie, IL 60076-8294. Editorial and advertising offices: 25431 Cabot Road, Suite 204 (949)206-1677. For address changes, single copy sales, subscription information, and other customer service inquiries, write to *Bicycle Retailer & Industry News*, P.O. Box 1294, Skokie, IL 60076-8294 or call (847) 763-9050. Printed in the USA.