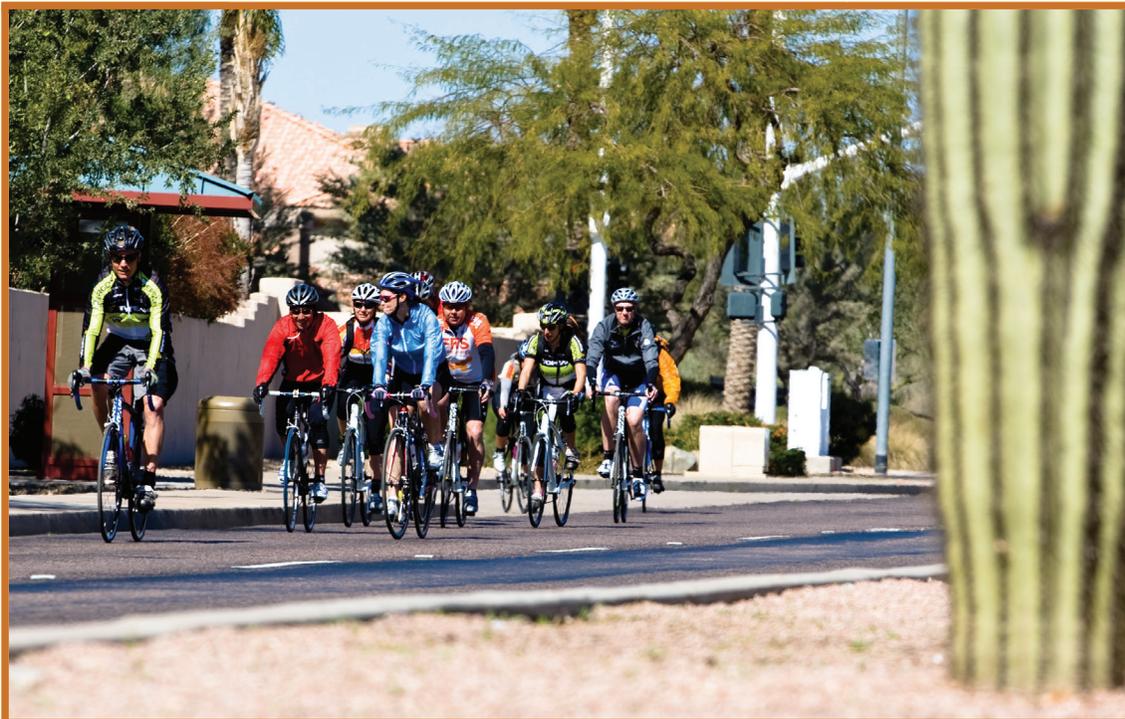


Phoenix Dealer Tour



Photos by Jake Orness

Lady Luck Smiles on Valley of Sun Retailers

BY MEGAN TOMPKINS

In a word, lucky sums up retailers in the Phoenix market.

In this temperate winter climate, retailers enjoy strong sales during months when those in other parts of the country are moving racks while waiting for snow to melt. And accelerated product cycles mean they can sell new model year bikes as soon as they're delivered.

In the upscale Scottsdale suburb, retailers have a ready customer base of wealthy homeowners with disposable income. Tourists and snowbirds with winter homes provide an extra dose of cash. It's an area that appears largely insulated from the economic struggles in other parts of the country.

For those that focus on fat tires, nearby trails like those at South Mountain drive in customers seeking a new steed. And thanks to the efforts of the Mountain Bike Association of Arizona and the backing of state park rangers, access issues are few for mountain bikers here.

"I always say how lucky we are," said Rage Cycles' owner Peter Perreault, who reported being on track for its best February ever.

What Winter? Dealer Tour participants enjoyed crisp but sunny weather riding

to visit a dozen top Phoenix dealers last month. Such ideal winter riding conditions illustrate why the winter months equate to summer sales for retailers in this hot desert climate.

"We run a reverse season—our summer is winter," said Tim Gillis, owner of Bicycle Showcase in Scottsdale.

Gillis said sales are about 30 percent lower in the summer months compared to the rest of the year. August—typically a strong sales month for retailers nationwide—is the store's worst month, when heat and humidity crank up in the valley. When the thermometer hits 115 degrees, cycling stops, he said, adding that hardcore riders head out at 5:30 a.m. to beat the heat.

But according to Bob Landis, co-owner of Landis Cyclery, he's seen sales even out over the past five years, resulting in steady year-round business. March and

April are typically its best sales months, but its four stores in the Phoenix area are busy throughout the year. "I think we end up selling about the same number of bikes, there's just no downtime," he said, comparing his stores to those in a seasonal market.

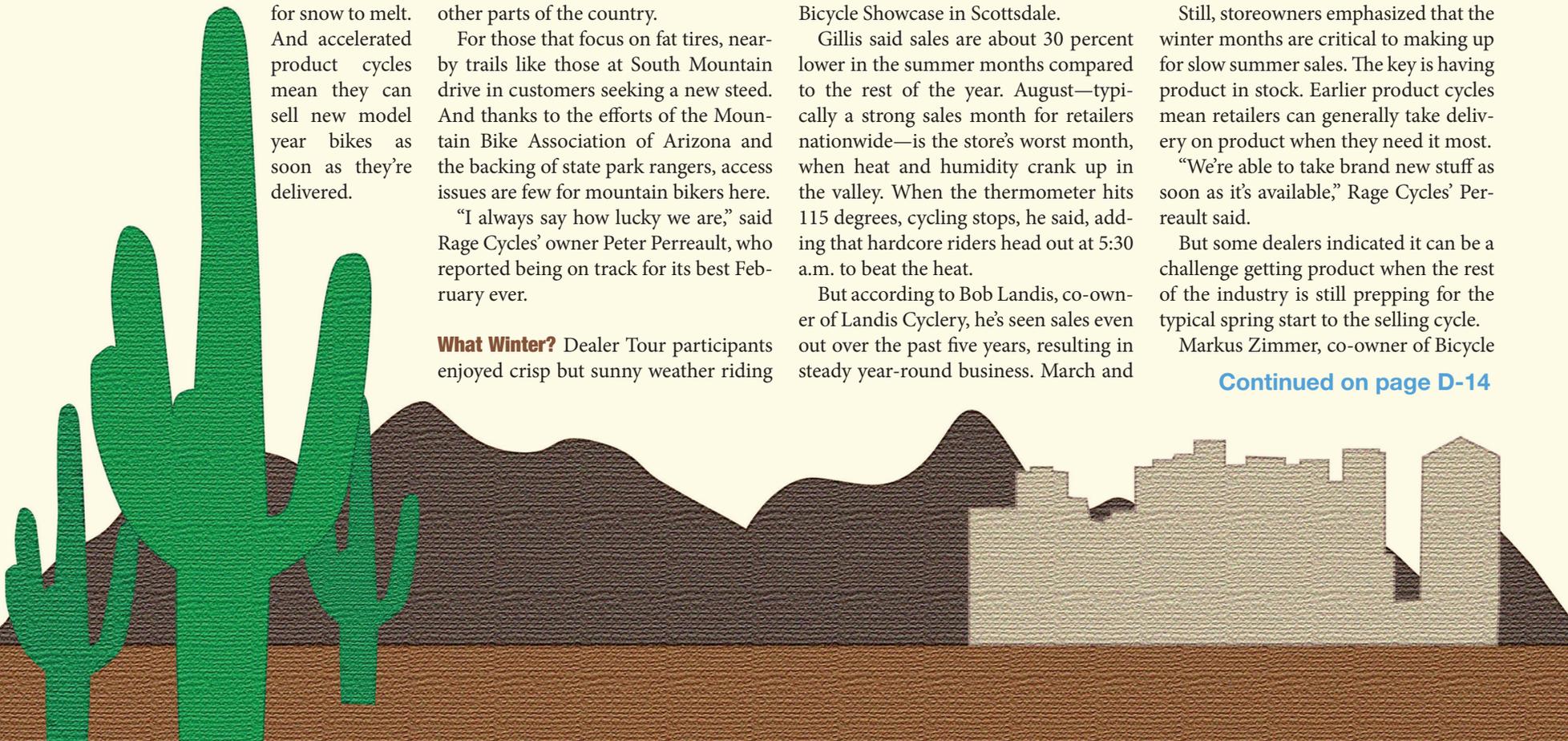
Still, storeowners emphasized that the winter months are critical to making up for slow summer sales. The key is having product in stock. Earlier product cycles mean retailers can generally take delivery on product when they need it most.

"We're able to take brand new stuff as soon as it's available," Rage Cycles' Perreault said.

But some dealers indicated it can be a challenge getting product when the rest of the industry is still prepping for the typical spring start to the selling cycle.

Markus Zimmer, co-owner of Bicycle

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Lady Luck...

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Ranch, said he wished manufacturers would realize that the sunbelt states have a year-around season with the bulk of sales happening December through March, when product is still making its way to their shop.

"Manufacturers can make bikes available based on location. We should get bumped to the front," said Zimmer. He said it's a particular issue with winter apparel that arrives too late.

Wealthy Clientele. Contributing to strong winter sales are wealthy second homeowners who spend winter in the tony residential community of Scottsdale, north of Phoenix. Signs of opulence are everywhere from a Maserati dealer to lavish golf resorts to private jets flying overhead.

The area also was somewhat insulated from the housing crash. An older area, it was developed before the explosion in new construction. Residents own homes outright and purchases weren't fueled by new loans. As a result the housing market here is stable, with little of the turnover that has affected the rest

of the valley.

Scottsdale retailers benefit from full-time residents with cash on hand and an influx of Canadian tourists with winter homes, said Don Eldridge, who owns DNA Cycles with his wife Amber. "Snowbirds buy two bikes—one for here

and one for Canada. It's not uncommon to have two bikes on one swipe of the credit card," said Eldridge.

Eldridge said sales have been stable over the last year in Scottsdale, where second homeowners haven't had to alter spending due to the recession.



Bicycle Ranch's Andrew Peshek and Markus Zimmer share some lessons they have learned in their first year and a half in the bike business.

"You show a \$5,000 to \$6,000 bike and they go, 'wow, that's really reasonable.' The guys spending that on a bike

don't have to put that money together." Kale Keltz owner of Bicycle Haus said he cultivates local clientele but considers himself lucky to have many out-towners seek out his shop.

The boutique road shop in old town Scottsdale saw some softness in bikes above \$4,500 last year. But Keltz said bikes in the upper echelon above \$7,000 continue to sell well.

It sold 31 Pinarello Princes last year, and has sold 12 Dogmas since Pinarello released the frame last August. And Keltz said he could sell more if availability was better.

Hidden Hurdles. Retailers are on the whole positive about the bike business here. Maybe it's the 12 months of sunshine, but they seem to have little to complain about. Still, the area appears to pose some obstacles.

In parts of Phoenix, where houses were overbuilt during the housing boom there's a huge amount of unsold inventory—as many as 200,000 homes. Landis predicted it could be another three to four years before that inventory works its way through the market.

And storeowners say the area hasn't seen the end of foreclosures yet, either. "With shadow foreclosures, more stuff

is getting ready to hit market. I don't think things will be better until that clears out," said Tim Gillis, owner of Bicycle Showcase and a refugee from the mortgage business.

No one talks about a burgeoning commuter market here. Distances are long in this sprawling metro area and locals say the summer weather isn't conducive to commuting.

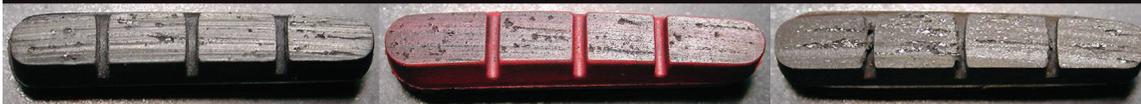
"The valley is so spread out, as you can see. But if we had the infrastructure I think we would make more progress," said Mary Halfmann, manager of Bike Barn.

Still, Phoenix seems to have the ingredients to become a strong commuter market—the terrain is flat and there's no real winter to derail good intentions. The Bike Cellar, a new commuter station that lets cyclists store bikes, shower and connect to the light rail in downtown Tempe, is converting green-minded residents.

Phoenix retailers may not have it all, but their issues seem temporary and surmountable with a bit of fortitude and vision. And given the strength of existing high-end sales they should be able to sustain business until the economy rights itself.

Phoenix retailers can thank their lucky stars for that. **BRAIN**

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Phoenix Product Trends

- 29ers have caught on in a big way here. Fat tire shops like Slippery Pig and Rage Cycles support the category with a wide selection.
- Gary Fisher has strong penetration and is carried by a number of retailers capitalizing on the 29er craze.
- Local mountain bike brands Titus and Pivot, both ventures of Chris Cocalis, are represented for consumers who want to "buy local."
- Tubeless is a must for knobby tires. With wicked cactus thorns on the trails, if you're running tubes you're asking for it, according to DNA Cycles' Don Eldridge.
- Fitting is a significant part of business for high-end road and tri shops. Along with fitting, shops have partnered with coaches, massage therapists and performance trainers to bring added value.
- Customers already addicted to expensive gadgets (thanks Apple!) are snapping up Garmin computers as their latest high-tech toy.
- To avoid blistering summer heat, many people ride in the dark in summer. Good quality lights, like those from NiteRider are a summer accessory mainstay.
- BMX is making a resurgence as parents have become more supportive. Kids still want to customize frames with colorful parts, but alternative brands offering completes has boosted sales, said Rage Cycles' Peter Perreault.
- The beach is nowhere in sight, but cruisers are big in the valley. Retailers say they appeal to every age now and are popular in flat, compact areas like old town Scottsdale, where there are tons of bars and restaurants.

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