



A CHANGING INDUSTRY

SPECIAL REPORT FROM THE 2005 POWERSPORTS INDUSTRY SHOWS MARCH 2005

INTRODUCTION

Recently I attended two of the premier powersports trade shows. All I can say is, “Wow, is the industry changing!” The two shows profiled a dramatically-changed industry, and one that continues to evolve and develop.

The first show I attended was the **V-Twin Expo** (www.vtwin-expo.com) in January 2005 at the convention center in Cincinnati, Ohio. The second show was the **Powersports Dealer Expo** (www.teampowersports.com) in February 2005 at the RCA Dome and Convention Center in Indianapolis, Indiana.

Read on to discover what has changed – and is changing.

THE V-TWIN EXPO

This is a relatively narrow niche show catering to the V-Twin market. No watercraft, ATVs or scooters, just V-twin bikes or related parts and accessories. The show has grown over the past five years and is now considered to be “The” show for that specialized market. It is put on by Paisano Publications, LLC the company that also produces *Easyriders* magazine and V-Twin magazine.

About 13,000 attended this show. They came from all over the world. Many had special show bikes created and shipped to make sure they were included. The aisles stayed busy from the time it opened until day’s end. The level of enthusiasm is unrivaled by any other trade event in the powersports industry.

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THE OEMs

Just about every V-Twin maker of any size (and some are very small indeed) participates in this event. The two big players, **American IronHorse** (www.americanironhorse.com) and **Big Dog Motorcycles** (www.bdm.com), were the show anchors. Each of these companies produces about 5,000 very high end V-Twin motorcycles per year. The prices of these pieces of “rolling art” range upwards of \$30,000.

It seems the big V-Twin market is growing despite the high prices. **Harley-Davidson** (www.harley-davidson.com) is, of course, still the biggest player and will produce well over 300,000 big V-twin motorcycles in 2005. They were not exhibitors at this event, however. That being said, several of HD’s management people were there ostensibly to receive awards for both new products and their best selling bikes.

CHINESE PARTS AND COMPONENTS

Unlike the Advanstar event in Indianapolis (which I will discuss below), there was no evidence of Chinese bike makers. The V-Twin Expo, like V-Twin models themselves, had a macho American flavor.

However, several of the American distributors were showing accessories and components -- including engines, transmissions and suspension components -- made in China, Taiwan and Korea. Increasingly the components for motorcycles and the replacement parts are being manufactured outside of the United States.

This is one of the unspoken trends that no one wants to talk about -- even though it has become quite commonplace. It follows a trend in manufacturing generally. American manufacturers are partnering with Chinese makers for one simple reason: to control costs. There's no way any industrial nation can compete with a country whose workers average 61- cents per hour. So it should come as no surprise that the offshore manufacturing of components and parts is gaining in the powersports industry.

Some of these parts and components are high quality. Some of them have lesser quality.

THE ARTISTRY

As I walked the show I was struck by the “variations on a theme.” It looked like many of those showing complete custom bikes were what the industry calls “bolt and roll.” That means the components used are

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readily available from several of the aftermarket distributors. The engines produced by a company from Wisconsin, **S&S motors**, were the power-plant of choice. The only thing that differentiated many of these customs was the fenders, gas tanks and paint.

One thing that makes custom bikes unique in the powersports industry is the very high quality, multi-colored, one-off paint jobs. These paint schemes would cost upwards of \$5,000 to reproduce for an individual bike.

The combination of artistry and technology leads to impressive results. The major exhibiting motorcycle companies employ large staffs of artists and have state-of-the-art paint facilities. High tech abounds in their facilities, giving the larger companies a competitive edge. Many of the smaller companies, without the same level of technology, rely on either contracted painters or produce monochromatic color schemes.

Imagine in the automotive industry a manufacturer distinguishing itself through one-off artistic paint jobs -- it just wouldn't happen. This is a reflection of the fact that motorcycles are primarily "adult toys" in the United States, not transportation. Paint matters for motorcycles and motorcycle riders. It's a way for the rider to express

himself or herself... to stand out from the crowd.

WIDE TIRES – THE NEWEST RAGE

It seems that wide rear tires are all the rage. However, I believe they've reached the limit. It's now relatively common to see custom factory bikes with 300/35x18 rear tires. These unbelievably wide rear tires don't do anything for handling and are now being challenged by even wider tires. One exhibitor at the show had two even wider tires including a 330 and 360. Neither seemed to attract much attention other than shock and disbelief.

The width of a tire is measured sidewall to sidewall and is measured using the metric system. Therefore, a 300 tire for example is 11.81 inches. For comparison a high performance Corvette with wide rear tires sport a 275 rear tire. That's 10.278 inches! If my math is correct, the 300 to 360 "chopper" motorcycle tire is more than **one inches wider** than the Corvette tire.

These unusually wide tires would have trouble changing directions, especially when paired with a relatively narrow front tire. They also require frame, suspension and drive changes, all of which are costly. While the finished product looks great the rider suffers, handling diminishes and

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cornering becomes a real challenge.

THE DEALERS

This show attracted a higher proportion of dealer principals than the Indy Powersports Expo Show, which tended to attract a higher proportion of mid-level dealer personnel.

Competition among dealers gets stiffer every year. Dealers are hit with competition from all directions: other franchise and non-franchise dealers; lawn and garden outlets; auto parts outlets like Pep Boys; and even big box retailers selling small displacement bikes and off-road vehicles. Dealers came looking for new ways to stand out from the increasing competition and for new products.

Jim Betlach, the show's producer had asked me to make a presentation to those in attendance. The name of my talk was "*Way Outside the Box*," focusing on how to be creative in powersports retailing. It must have resonated with the dealers as the room was filled to standing-room-only. I repeated the presentation the next day to accommodate those who could not fit into the room.

DEALER EXPO

Every February, for the past 40 years there's a powersports trade-only show. Every year it gets larger.

This year the show had more exhibitors than ever (approximately 800) and they were more diverse. The event is held in the Convention Center and RCA Dome in downtown Indianapolis, Indiana. Again this year exhibit space overflowed to the Westin hotel and aisles of the Convention Center.

However, over the past 40 years this event has dramatically changed in content.

INFLUX OF CHINESE OEMS

None of the major OEMs display at this event. Many of the minor ones do. The reason being the major companies have their dealers in place; the minor ones are looking for additional outlets.

This year there were even more Chinese companies than last year. There was also more talk that the entire powersports market is changing to reflect the influx of so many Chinese companies.

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Scooters traditionally have represented a very small segment of the U.S. powersports market. You would find that hard to believe as you walked from room to room and saw more brightly colored scooters by a variety of makers. Most of those makers are headquartered in China. I counted 38 different scooter makers, only a few of which were not Chinese.

The same could be said of the majority of ATVs and small displacement motorcycles on display. Many of the Chinese manufacturers are patterning their motors after the Honda 50 cc motor. They are saturating the market in places like Bangladesh. They are staying with small bikes that don't have to meet EPA and DOT requirements. They also are producing more ATVs than the U.S. market can absorb.

China has now become one of the largest exporters of motorcycles. Some of the more visible Asian manufacturers seeking to establish their place in the American market and exhibiting at the Show include:

- Unison (www.unisonmotorsports.com)
- Venus Pacific (www.venus-b2b.com)
- American Lifan (www.americanlifan.com)

- Dinli (www.dinliusa.com)
- Kymco (www.strmotorsports.com)
- Chuanl (www.longboamerica.com)

These are just a few of the Asian -- mostly Chinese or Taiwanese -- OEMs. Many of them have warehouse facilities and offices in Texas or the Carolinas. They are hiring Americans with experience in the powersports industry. Several people that I know and ran into at the show are now working with Chinese companies.

The Chinese influx is similar in a minor way to the "Japanese invasion" of several decades ago. The main difference today is that there are more of them. However, most haven't caught on yet in the States. A small number will, but most won't. Very few of them understand the American market. Few have set up adequate American distributor and dealer networks, have parts readily available in this country, offer on-time delivery of parts, or otherwise show they are capable of delivering the level of support to dealers and consumers necessary for success here.

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OFFSHORE COMPONENTS

All the major Japanese motorcycle makers and yes, even the U.S.'s Harley-Davidson have partnered with Chinese makers in an attempt to reign in ever-rising costs. I was told there are more than 1,700 powersports component makers in China along with more than 150 makers of scooters and motorcycles.

Korean companies, known for their ability to produce quality automobiles, are now supplying China with complete motorcycle engines. The European makers are doing the same by supplying Chinese makers with high-quality, larger-displacement scooter powerplants.

One company, Vento (www.vento.com), displayed a V-Twin that looked like a small Harley-Davidson V-Twin. However, it had a much smaller engine (300cc vs. 1,550cc HD Custom Vehicle Operations bikes). I asked a Vento representative if their bike was made in China. He bristled and told me it was "assembled in Laredo, Texas." He never would admit it was assembled from components made offshore. The MSRP of the company's V-Twin was \$3,499. That's about one-third the price of Harley's smallest V-Twin, the 883cc Sportster. That price would be hard to touch with American-made components.

INDUSTRY GROWTH

The powersports industry continues to grow, although not as robustly as previous years. It also continues to segment into niche markets. The V-Twin segment (now considered a separate show within a show, called the "Big Twin") was relegated to the drafty RCA Dome. In order to make sure the dealers visited that portion of the show the promoters enlisted the help of aftermarket distributors who offered a free hot breakfast for any and all who came to the Dome. Free food brings in people.

When I attend these shows I'm looking for new products but more importantly, prevailing attitudes. It was hard to find any exhibitor who was not upbeat about the market. Some were less than upbeat about their location on the floor, especially those who were in out of the way places or at the end of long corridors.

Besides being in a minor market -- meaning the city is served by fewer airlines and it's more difficult to fly to Indianapolis than airline hub cities -- the other problem seems to be that the Convention Center has a relatively limited capacity to host this large an event. The event has grown so much that all the in-town hotels and motels were filled. Many of the attendees were relegated to lodgings miles away from the event, some as far out as the Indianapolis airport.

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Here's the dilemma: there are more powersports dealers in the Midwest than anywhere other than California. Having an off-season show in the Midwest makes sense. It also makes it easier to attend for those who can drive to the event. The weather and space considerations are a problem.

The show management was in the news when they announced that unless more space could be made available the show might have to relocate. The relocation cities were cited as New Orleans, Louisiana, and Houston, Texas. Both are larger, and have more airline flights and more off-venue activities, entertainment and hotel space, than does Indianapolis. On the downside, some of the larger warehouse distributors say they will not participate if the show is moved.

THE TWO SHOWS – A COMPARISON

The V-Twin Expo held in Cincinnati, Ohio several weeks earlier is not nearly as old as the Powersports Expo. It started about five years ago after Advanstar moved their event to Indianapolis for more space. Space is an ongoing problem with an industry that continues to grow at an annual rate of sometimes double-digit percentages.

Because the V-Twin Expo caters not to the general powersports retailer but exclusively to those involved with V-Twin motorcycles, both American and Metric, it is not as large or as well-attended. However, this year 13,000 people signed up to spend time with all the major and minor players in the V-Twin industry. The V-Twin show can lay claim to being an unqualified success.

The powersports industry is very competitive. Sometimes that competition goes overboard with competing shows. The V-Twin Expo is put on by EasyRiders, the well-known biker lifestyle magazine, while Advanstar, the owner of the trade magazine DealerNews, puts on the Indy show.

It seems those in the V-Twin market when asked to make a choice have voted with their presence for the V-Twin Expo in Cincinnati. That event grew dramatically this year over last.

There were, as always a large quantity of new products. Some new products looked plausible, others catered to very small niches. Few were truly all new, but variations and improvements of products currently available.

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APPENDIX - PHOTOGRAPHS

For pictures of both shows, here are some websites with photographs:

V-Twin Expo: www.vtwin-expo.com

Dealer Expo: <http://show.teampowersports.com/teampowersports/v42/index.cvn?ID=10101>

4x4 Review: www.4x4review.com/events/psports-expo/default.asp

Cobra Sales: www.cobrasales.com/news/cobrapowersports02212005.htm

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A publication of MYOB-2

"Mind Your Own Business, 2nd Edition"

*The Complete Guide to
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