

Motorcycles and Motor Scooters

Industry Overview

An estimated 10,000 retailers of motorcycles and "powersports vehicles" in the U.S. generate about \$8 billion annually.* In addition to motorcycles, motor scooters, and other motorized "sport" vehicles, most retailers also sell parts, apparel and accessories, and many perform maintenance and repair services.

While some dealers specialize in motorcycles, many others consider themselves to be in the "powersports" business. In addition to motorcycles, powersport dealers carry sport vehicles appropriate to their geographic region, such as ATVs (all-terrain vehicles), personal watercraft, or snowmobiles.

Two categories of motorcycle and motor scooter dealers are found in the U.S., *franchised* and *nonfranchised*. Similar to the new and used car industry, franchised dealers are authorized to sell new motorcycles from the leading motorcycle *OEMs* (original equipment manufacturers).

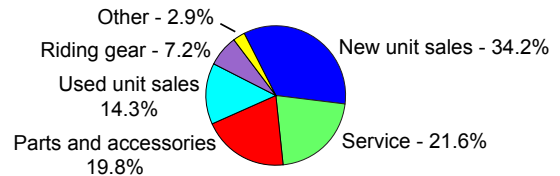
Franchised and Nonfranchised Dealers

- **Franchised dealers**, on average, derive around half of their annual revenue from motorcycle or scooter sales, with the remaining revenue generated from the sale of parts, accessories, and riding gear, as well as from repair and maintenance service (see chart in next column). Some dealers have used-motorcycle departments; motorcycle owners often trade in their old bike, which goes into the inventory of used motorcycles.
- **Nonfranchised dealers**, on average, derive about half of their revenue from service, with the rest derived mostly from parts and accessories, used vehicle sales, and riding gear. They usually do not sell *new* motorcycles or scooters.

According to *Motorcycle Product News (MPN)*, in its "2010 Industry Profile," franchised dealers generate twice as much revenue from the sale of new vehicles as from used vehicles, as indicated in the following chart, which breaks down the average shop's revenue by sales category.

* *Dun & Bradstreet Sales and Marketing Solutions*, www.zapdata.com, February 2011; *Datamonitor*, "Motorcycles," December 2010.

New Motorcycle Dealer Annual Sales Percentage of Revenue by Category



Source: *Motorcycle Product News (MPN)*, January 2011.

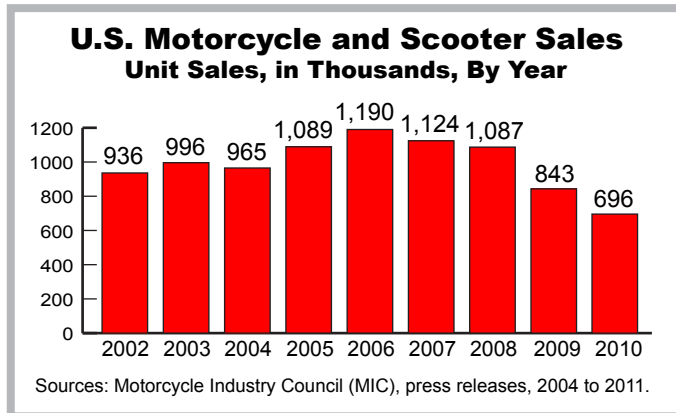
According to the *MPN* survey, dealers indicated that their "most difficult competition" comes from Internet sales, with discount retailers being the second most-difficult type of competition.

Two- and Three-Wheeled Vehicles

- Most popular are **on-highway motorcycles** (or *street bikes*), which are certified by manufacturers as complying with the Federal Motor Vehicle Safety Standards and designed for use on public roads. This category includes cruisers (Harley-Davidson is the leading cruiser manufacturer), as well as standard street bikes; touring bikes, sport bikes, and dual bikes.
- Next most popular are **ATVs** (or *all-terrain vehicles*), designed for off-highway use by one person. ATVs have three or more low-pressure tires, a seat the rider straddles, and handle bars for steering. ATVs have an overall width of 50 inches or less.
- **Off-highway motorcycles** (or *dirt bikes*) are not certified by the manufacturer to be in compliance with federal vehicle safety standards. Big with young riders, they are commonly raced in elaborately designed events.
- **Dual-purpose bikes** (or *dual-sport bikes*) are certified to be in compliance with federal safety standards and are designed for use either on the highway or for off-highway recreational use.
- **Scooters** are small on-highway motorcycles manufactured and specifically designated as scooters. Some models do not require a motorcycle license, because of their lower speed. (Vespa, the popular Italian scooter, is sold through Vespa-only "boutiques" in the U.S., along with trendy "lifestyle gear.")

Issues and Trends

The motorcycle and motor scooter industry has been devastated by the "Great Recession," as unit sales in the U.S. fell precipitously (by 22.4%) in 2009 from the 2008 level and fell from the 2009 level by 17.4% in 2010, as shown in the chart below:



All categories saw significant declines in 2010. Off-highway was hit the hardest, with unit sales down by 23.3% (*Motorcycle Industry News*, January 20, 2011). Dual-sport bike sales dropped by 13.5%, and on-highway (the largest market segment by far) motorcycle sales fell by 14.3%. The category affected the least was scooters, which declined by 9.4%, or about 28,483 units. The effect of sharply reduced sales has been the closing of many dealerships. The January 2011 issue of *Motorcycle Product News* reports that "hundreds of dealers in recent months and thousands in recent years" have gone out of business.

Besides reduced consumer spending, dealerships have been hurt by the nearly three-year ban on selling youth model ATVs and motorcycles. The ban, which is related to the lead content provisions of the Consumer Product Safety Improvement Act (CPSIA), was initially enacted with children's toys in mind. The MIC is seeking to have the CPSIA modified. The MIC's general counsel, Paul Virtano had this to say:

"It is clear that the lead content in youth off-highway vehicles poses no risk to kids. In fact everyone, including the Consumer Product Safety Commission, agrees that the real safety issue is that kids are now at risk because the availability of youth ATVs and motorcycles is limited due to the lead ban." (MIC, press release, February 25, 2011)

Motorcycle Product News see signs of higher consumer confidence for 2011 in "dealer attendance [registration for trade shows] and ordering behaviors"

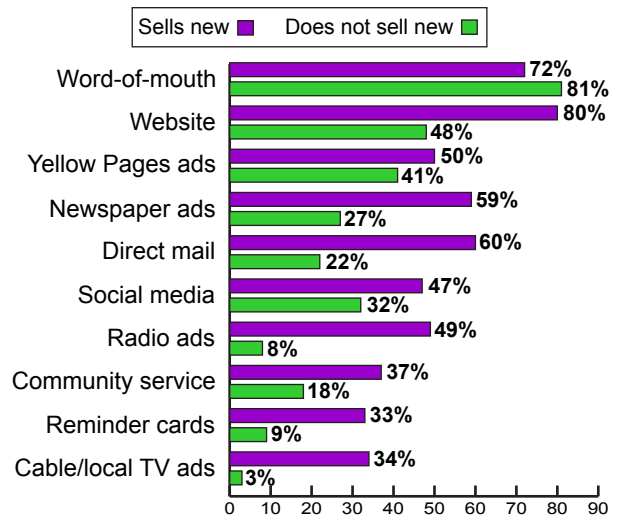
so far in early 2011 (news release, January 28, 2011). One source of optimism is that the many dealerships that closed "provide opportunity for the smart, savvy, marketing-focused dealer," since "thousands of orphaned customers across the country are left without a local dealer to provide service, form relationships and fulfill their needs" (*MPN*, January 2011).

Industry expert Rod Stuckey, writing for *Motorcycle Product News*, says that the biggest difference between those dealers that have survived (or grown during) the "Great Recession" and those who have closed their doors is the quality of their marketing efforts. He adds:

"Sure, the most successful and profitable dealers I know are students of operational best practices, exercise responsible management of cash flow, are self-disciplined and not afraid of hard work but they're also exceptional marketers. They don't delegate their marketing to unqualified help and understand that there is no other single responsibility in the dealership that is as important as generating sales." (*MPN*, January 2011)

Pursuing a mix of marketing methods is important for motorcycle dealers, because "different people have different preferred methods of communication and therefore react different differently to the constant influx of varied media coming their way" (*MPN*, September 2010). Since only 3% of the population owns a motorcycle, "fishing with multiple poles in the water" helps in finding this specific audience. The following chart shows the ten most popular marketing methods for both new and used motorcycle dealers.

Top 10 Marketing Methods Used by Dealers
Percentage of Dealers Using Method



Source: *Motorcycle Product News* (*MPN*), January 2011.

Motorcycle Product News recommends that dealers find a reputable vendor to provide online marketing assistance, including search engine optimization for the website and key website analytics, which include the following: a list of new and returning visitors, *referrers*, or where traffic is coming from; *conversions* or visitors who buy something on the site or provide their contact information; and trends or quarterly monitoring of website statistics for comparison (January 2011). A vendor should do the following:

"A reputable vendor will be real with you by setting realistic expectations for site and/or campaign performance, and they will take the time to thoroughly explain what exactly you are buying. Ask to see their portfolio of work, check client testimonials and most of all – don't be afraid to ask questions."

Dealernews reports that having a website to engage in Internet marketing is not enough for a dealer. Having a presence on social media sites like Facebook and Twitter is important since large numbers of people are using these sites. The key element for both website and social media sites is maintaining a blog and using a blog platform such as Wordpress.com for updating social media sites (February 2011). Dealers can use social media to "communicate with both current and potential customers on a more personal, casual level than traditional forms of media" (MPN, October 2010).

Critical Success Factors

CSFs for Motorcycle Dealers

- **Speedily respond to consumer inquiries** through personal information they enter on the dealership website, since speed is essential in reaching young adults. Once contact information is entered, a customer relationship management (CRM) system can immediately notify someone in the dealership, while sending an e-mail message to the prospect.
- **Implement a vehicle maintenance program**, also called *prepaid maintenance*. It is more attractively marketed under names like *priority maintenance* and *V.I.P. maintenance* to convey the idea of consumers and their vehicles receiving quality care or service. Pre-paying for maintenance gives customers special benefits and brings a profitable revenue stream into the dealership. Educate staff on the details of the program and what the advantages are for the customer, the shop, and themselves so that they can communicate a sense of excitement to customers.
- **Ensure that service technicians always recommend the product or service that best meets a customer's "wants and needs."** Emphasize to employees that they should offer the best option (for product or service) first, and let go of their personal perception of whether or not they think it's too expensive. Educate staff on program details and the advantages for the customer, the shop, and themselves, so that they can communicate a sense of excitement.
- **Be flexible concerning business practices**, to adapt to a changing market, to staff shrinkage, and to workplace demands. The best employees are those who can work in more than one area, depending on shifting conditions. Flexibility can take the form of giving employees flex-time, which may enable the dealership to extend its hours to attract more customers, or adjusting store inventory in response to a consumer trend.
- **Create a referral system to gain more customers**, because satisfied customers still have a natural reluctance to make recommendations to others. Include incentives as part of the referral strategy, to give to both the referrer and to the person referred, such as a free tee-shirt or \$10 gift card when a friend or family member is referred. Ask for a referral immediately after doing business with the customer.

Sources: MPN, January 2011; October 2010; Dealernews, January 2011; June 2010; MPN, September 2010.

Value of Products and Services in the Industry

The following are 2011 motorcycles and scooters that were top-rated by www.motorcycle.com, along with the base manufacturer suggested retail price:

Category	Make/Model	MSRP
Standard	BMW F800R	\$9,950
Off-Highway	Kawasaki KX250F	\$7,299
On-Off Highway	Yamaha WR250R	\$6,500
Cruiser	Triumph Thunderbird Storm	\$13,899
Sports Bike	Ducati Diavel	\$19,995
Track	Aprillia RS125	\$5,499
Scooter	Honda PCX	\$3,399

Calculating average annual household spending for motorcycles and scooters is helpful when targeting consumers for planning marketing and advertising campaigns. Sales of motorcycles and scooters are estimated to generate \$8 billion annually. Dividing total spending by 114 million households nets an average annual household spending amount of \$70.17. Thus, in a market of 50,000 households, it is fair to estimate that about \$3.5 million is spent on these vehicles.

Industry Resources

Motorcycle Industry Council, www.mic.org
 Dealernews, www.dealernews.com
 MPN (Motorcycle Product News), www.mpnmag.com