

OPINION

POWERSPORTS BUSINESS

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Distribution channel could change

If you're a dealer who is comfortable in the way you're receiving and selling products, perhaps you should wake up. You could be sitting on the train tracks, looking the wrong way. Very big changes soon could affect the way powersports products are moved from manufacturers to consumers.

Listen to Adam Fein, a researcher who specializes in studying distribution channels — the paths that products follow from manufacturers to end users. Fein, president of Pembroke Consulting in Philadelphia, presented his outlook and ideas at the annual meeting of the Motorcycle Industry Council during the Dealer Expo in Indianapolis last month.

Later, I spoke with Fein by phone and he said the large role of powersports distributors could become even bigger very soon.

While most of Pembroke's work has been done in other industries, the company has consulted with at least one large powersports company. There's about 80% similarity between the

situations in the other industries where Pembroke has worked and the powersports industry, he says.

According to Fein, there are three important characteristics of the powersports industry.

First, the distributors are relatively large and have a very strong position in the distribution channel. "That's somewhat unusual, compared to other channels," he says. "The distributors have an opportunity to lead from the middle of the channel, to bring together smaller dealers and smaller manufacturers."

Second, brand power of aftermarket products appears to be relatively low. "They have to be very strategic about how they manage their brands and how they go to market," points out Fein. "As we've seen in other industries, the distributors have created their own private label brands. The power resides more with the distributors than with the aftermarket manufacturers in this industry."

Developing house brands, says Fein, is an important way of retaining power and influence. This move is well underway, as a quick look at the catalogs of Parts Unlimited, Tucker-Rocky and Global Motorsports shows.

Third, the powersports customer is changing from an enthusiast to a consumer. "As the customer becomes more willing to take on more of

From The Editor

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the dealer function by searching for information themselves, the less value there is to that high service, high touch dealership," he says. And, he adds, "As the enthusiast market gives way to a more consumer mindset, (powersports) customers start to look more like other consumers. They're looking for price, brand names, convenience and value."

And, he concludes, as that shift continues, opportunities for new retailing formats open up.

Here are some of Fein's ideas:

■ In most mature retail channels, mail order and Internet operations account for 10% to 15% of the dollar volume of retail sales. Look for this powersports segment to grow dramatically, especially by dealers and independent operators.

What about OEMs, aftermarket companies and distributors?

■ We'll see a growing number of big box retailers — large regional dealers. However, Fein argues, distributors have a strong vested interest in preventing this from happening. "They'll support dealers so they can support fragmentation," he says. They'll provide more services to help their customers become more successful.

■ There will be more attempts by manufacturers to develop brand recognition with end consumers and to create demand pull through the channel. Today, he says, the brands are weak so consumers go to a dealer and ask what they should buy. They shop stores (dealers) not brands.

How might this all play out? We don't know, but what if dealers continue to consolidate into big box retailers and then tie in with a distributor who aggressively promotes its house brands to the consumer? That could be very interesting. **PSB**



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