

Motorcycles and Motor Scooters

Industry Overview

Approximately 5,100 retailers in the U.S. specialize in sales of motorcycles and “powersports vehicles,” generating about \$22 billion annually.* While some dealers specialize in motorcycles, many others are more diversified and are classified as “powersports” retailers. In addition to motorcycles, powersports dealers carry sports vehicles appropriate to their geographic region, such as ATVs (all-terrain vehicles), personal watercraft, or snowmobiles.

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 that 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. Especially popular 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 due to their lower speed. (Vespa, the popular Italian scooter, is sold through Vespa-only “boutiques” in the U.S., along with trendy “lifestyle gear.”)

Two categories of motorcycle and motor scooter dealers are found in the U.S., *franchised* and *nonfranchised*. Similar to the new and used car

* IBISWorld, “Motorcycle Dealership and Repair,” March 2013.

industry, franchised dealers are authorized to sell new motorcycles from the leading motorcycle *OEMs* (original equipment manufacturers). Nearly all dealers selling primarily *new* motorcycles, scooters or powersports vehicles are franchised dealers.

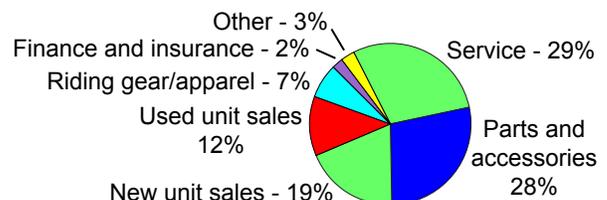
Franchised and Nonfranchised Dealers

- **Franchised dealers** generally provide a greater range of employee benefits, such as paid vacation, paid holidays, training and medical coverage. The average franchised dealer employs 11.5 full-time and 2.8 part-time employees. Twenty-nine percent of franchised dealers carry just one brand of motorcycles, 19% carry two brands, 12% carry three, 14% carry four, and 26% carry more than four brands. Some dealers carry used-motorcycles, because customers often trade in their old bikes, which go into the inventory of used motorcycles. About 40% of franchised dealers write more than 70 repair orders per month, and 22% write fewer than 30 repair orders per month.
- **Nonfranchised dealers** tend to be smaller operations focused on sales of used vehicles, accessories and apparel, and service and repair. The average nonfranchised dealer employs 3 full-time and 2 part-time employees. Over half (52.5%) of nonfranchised dealers write fewer than 30 repair orders per month; 8.8% write more than 70.

Source: Motorcycle & Powersports News (MPN), March 2013.

In addition to motorcycles, motor scooters, and other motorized “sport” vehicles, the majority of retailers also sell parts, apparel and accessories, and most offer maintenance and repair services. Service and retail sales of parts and accessories are typically the largest sources of revenue for dealers, as shown below.

Motorcycle Dealer Annual Sales Average Percentage of Revenue by Category

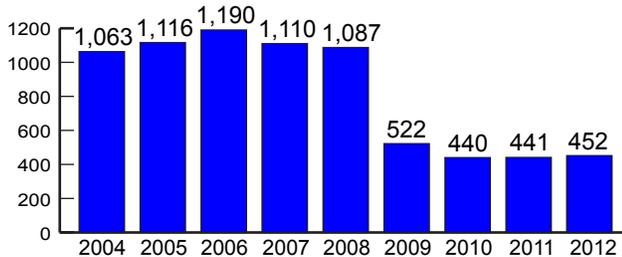


Source: Motorcycle & Powersports News (MPN), “Industry Profile,” March 2013.

Issues and Trends

Sales of motorcycles and related vehicles are just beginning to recover from the precipitous sales decline brought about by the Great Recession, during which the hardest segment was “off-highway.”

U.S. Motorcycle and Scooter Sales*
Unit Sales, in Thousands, By Year



Sources: Motorcycle Industry Council (MIC), press releases, 2005 to 2013.
* Includes ATV and other powersports vehicle sales.

Tim Buche, president and CEO of the Motorcycle Industry Council (MIC), was encouraged by strong increases in unit sales in categories such as scooters and dual-purpose motorcycles, and he commented:

“In spite of some challenging economic times, the sales of used motorcycles have also increased. Though revenue is not reported to MIC, the major aftermarket distributors have acknowledged strong demand and increased sales as well. Further, we know that Americans are still enjoying themselves a great deal on bikes, as tire sales have increased over the past three years. Estimated vehicle miles travelled were 29 billion in 2009, an increase of eight billion miles since 2003. All of this signals that motorcycling is an increasingly mainstream mode of transportation and fun.” (MIC, press release, February 6, 2013)

Consumer Reports News (CRN) comments that 2013 has been a “banner year for motorcycle introductions” from manufacturers: “Dramatic styling and technical innovations are breathing life into a market recovering from the struggling economy, stirring passions and attracting new and returning riders” (July 2, 2013).

One bright spot for dealers is the electric vehicle market. *Motorcycle & Powersports News* observes, “The corner has finally turned and electric motorcycles are now a viable alternative for powersports dealers” (July 2013). For example, *Consumer Reports* engineer Marc McEntee describes the new product line from Zero Motorcycles:

“The new models are not evolutionary, but revolutionary. They are real motorcycles with electric motors. They accelerate, brake, and feel like the real thing.” (CRN, June 20, 2013)

The potential electric motorcycle market is huge, according to Dave Hurst, principal research analyst for Navigant: “Sales of e-motorcycles and e-scooters in North America will grow from a little more than 4,000 units in 2012 to more than 36,000 in 2018.” Scot Harden, VP of global marketing for Zero, remarks that dealers “can get involved at a low entry cost” [with selling Zero’s electric motorcycles], since “our inventory, parts and special tool requirements are quite low.” Harden adds that dealers are not obligated to take on a large inventory, but stresses that new products allow dealers to expand their customer base beyond the typical prospects with whom they currently interact.

To Dave Koshollek, who teaches a variety of classes for dealers, expanding the customer base means attracting younger riders and nurturing relationships to keep them coming back as they “grow their personal wealth” (*Dealernews*, September 2013). Koshollek says that a dealer should “treat them like friends, take an interest in their bikes and do the things they can’t, like rebuild transmissions, change their tires and sort their electrical systems.”

A major challenge perceived by motorcycle dealers, as reported in *MPN’s* annual industry survey, is online price shoppers. The founder and president of Dealership University, Rod Stuckev, says, “Half of the hardball price-shoppers are not as tough as they appear”; they can be converted into customers by building “value in yourself, the dealership and the product” (*Dealernews*, August 2013). Also, price shoppers include those who are “trying to decide which way they should spend their expendable income.” Again, building value and “developing rapport” with these shoppers can result in additional sales and increased customer loyalty.

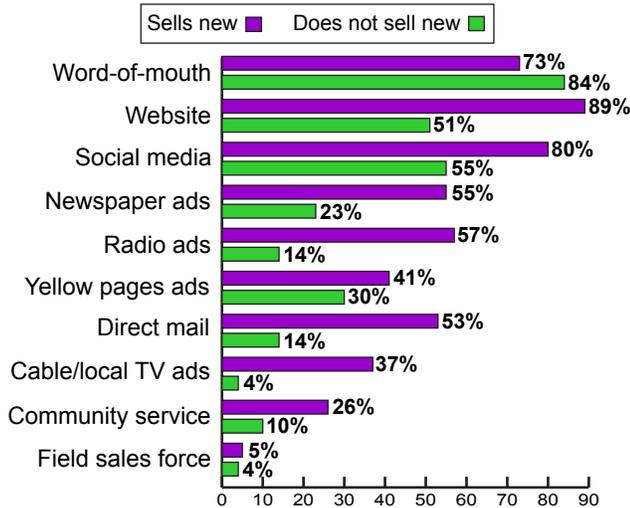
Stuckev mentions that one dealer has successfully met the online-price-shopping challenge by “aggressive online and offline marketing.” The dealer has frequent events and his staff captures customer and prospect data. He adds that frequent communication is key:

“In fact, his customers hear from him so often with personality-driven, relationship-building, one-to-one communication that most of them are now immune to offers and advertising from competitors. They have a feeling of belonging and a sense of community. When they come in to buy, they haven’t shopped around because they already know, like and trust their dealer.”

Most dealers have websites that are reflective of consumer habits. An estimated “three out of four potential consumers conduct their initial research online” (*Dealernews*, October 2013). Although motorcycles do not sell online, “the most successful

dealers understand that what you do online does have a big impact on what you do offline.” A website’s virtual showroom should reflect and attract visitors to the dealer’s bricks-and-mortar showroom. The following chart shows that dealers invest in both online and traditional media marketing.

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



Source: Motorcycle & Powersports News (MPN), March 2013.

Marketing expert Heather Blessington urges dealers to continue to market during their slow season: “The goal is to not let your foot off the marketing pedal” (MPN, September 2013). In other words, do not stop communicating with customers. She describes the strategies for marketing during the off-season:

- **Grow marketing lists during the peak selling season.** Train staff to gather mobile phone numbers and e-mail addresses, then send customers off-season coupons. Provide calls to action on the website and on social media (offering a small item in exchange for subscribing to the newsletter, for example).
- **Collect customer reviews.** Have a planned reputation-management strategy based on regularly asking customers “to write a review, sharing their personal story, interaction with a salesperson, or a riding story that relates back to the vehicle they bought from your dealership.”
- **Promote off-season services with early-bird discounts** during the busy season. Post “inspiring, dream-provoking content” in the middle of winter to get customers thinking of better days (on or off road) and of the dealership.
- **Continue to be active with social media in the off-season.** Post content that is amusing, entertaining, inspiring, or lifestyle-related.
- **Offer special discounts and sales to locals and repeat buyers,** to reward their loyalty to the store.

More dealers are hiring dedicated Internet managers and adopting “an integrated web strategy that incorporates all departments’ roles and responsibilities with regard to web performance” (Dealernews, October 2013). A web presence requires an investment of “time, money and resources” and is an evolving enterprise.

Value of Products and Services in the Industry

Calculating average annual household spending for motorcycles and related products and services is helpful when targeting consumers in marketing and advertising campaigns. Motorcycle dealers in the U.S. are estimated to generate \$22 billion annually. Dividing total spending by 117.5 million households nets an average annual household spending amount of \$187.23. Thus, in a market of 50,000 households, it is fair to estimate that about \$9.4 million is spent at motorcycle dealerships. If a dealer generates \$2 million in annual sales, his or her market share would be approximately 21.3%, a useful benchmark for comparing future performance.

Critical Success Factors

CSFs for Motorcycle Dealers

- **Consider investing in an in-store marketing system.** One system, used by Indian Motorcycle, consists of a large display screen along with a mobile tablet that customers can use to select content to view on the screen. Village Motorsports in Grand Rapids, Michigan, has 30 large HDTV screens in its two stores. They are placed in every department.
- **Build impressive gear and apparel displays to attract attention.** Apparel and accessories often carry higher profit margins than motorcycles. Study showroom and display programs of successful retailers selling other types of products for ideas.
- **Do not bore the customer.** Salespeople should be focused and keep the prospect focused by asking provocative questions to excite prospects. The questions should stimulate conversation. Prospects are in the store because they are passionate about what the store is selling.
- **Provide great follow-up and excellent customer service.** To help ensure customers loyalty, follow up on repair and maintenance service. Convey the enjoyment of having that person as a customer and ask for their continued business.

Sources: Dealernews, September and October 2013; MPN, August and February 2013.

Industry Resources

- Motorcycle Industry Council (MIC), www.mic.org
- Dealernews, www.dealernews.com
- Motorcycle & Powersports News, www.motorcyclepowersportsnews.com