



The NEW Market REALITY

BY JOEL MARTIN

The worldwide scooter market is recovering from the devastating effects of 2009. Many factories in China have been absorbed, closed or forced to merge due to losses. 2010 marks the start of a new market reality, and stores need to do their homework to thrive.

If 2009 showed anything, it was that the age of the private label might be coming to an end as Asian importers were unable to absorb losses and dealer closures. Quick sales in 2008 led many private labelers to over-order, and the inability to sell or pay in 2009 led a dozen private label companies to close. Since then new brands and new fly-by-night companies have appeared, but some factories have realized that going direct is not only a matter of being able to control distribution, but it is also a matter of being legal.

Scooter retailers remain split between quality dealers selling Taiwanese, Italian and Japanese product and the low-end, low-cost fly-by-night sales mentality.

In the good news column, factories are beginning to realize that they should support the dealers that sell their products. Jonway USA has stopped selling to several sub-distributors who couldn't afford to give support or stock parts and turned inward upon the realization that without parts their brand would suffer in the new economic climate. "It's essential to have a solid dealer network, where territorial restrictions are observed and where warranty and parts support play very important role," says Lev Mirman, president of CF Moto. He believes the market was pushed further down by importers selling bikes and parts directly to consumers online, brands having multiple distributors and artificial price wars.

I recently saw some consumer issues first hand when I visited Puerto Rico and Panama; consumers couldn't find parts for PGO, CPI or CF Moto units because the private label importers had gone out of business. Making matters worse, products were branded differently than they are in the U.S. where

most dealers go to look for parts — CF Moto Units were branded "Hi-Tong" or "Yamati."

One of the bigger factories that ran into this problem in 2008 and 2009 was ZNEN. The factory registered in China as Taizhou Zhongneng Motorcycles CO. LTD is best known for its importers: Lance Powersports, BMS Motor, Qlink, Eurospeed, Fly Scooter, ZNEN Direct, KGB and Vitacci. All these companies used the same VINs for the units, causing dealers to come into state conflicts for DMV registrations.

At the Dealer Expo this year the factory had a booth under the brand Puma and stated they had issued a new VIN to avoid these legal issues as they stepped into the market direct, bypassing the former distributors. I asked Matt Clayton, the national sales manager for Puma Cycles, about the situation and got a very intriguing response: "I can't comment on the past or future relationships at this time, but let us just say Puma is going to be a major player." Mr. Clayton might be avoiding commenting on the obvious, but he is onto something in the sense that by selling direct, they've cut out the middlemen and the problems they have run into the past.

Kymco has had great success in the U.S. market, and in most cases this level of success can only be achieved by a factory-direct approach. Since Dealer Expo, rumors have flooded the industry around which Taiwanese and Chinese brands would follow suit.

Mirman believes that this long-term mentality will make all the difference. "Our warranties are supported by the factory, not by an independent distributor that may or may not be here tomorrow. With all the companies that have left, do you want to put your store's reputation in the hands of someone who isn't the factory?" he asks.

Considering how many companies left in 2009 and how dealers are struggling to find parts for Tank, United Motors, Xtreme and other brands, this might be the hardest lesson of 2009. ◀