

# Editorial

## Economic Woes Could Spur Sensible Business Adjustments

As the U.S. economy teeters precariously on the edge of a recession, business leaders are looking carefully at their balance sheets.

In an attempt to keep their businesses above water, most have already trimmed budgets and cut back on unnecessary spending.

Raleigh America's plans to move its

Diamondback fitness facility in Camarillo, California, to its Washington headquarters may be the first indication that companies will take more drastic measures to reduce costs and trim overhead.

For Raleigh, operating a facility in California had likely become much less cost-effective in recent years.

As the cost of doing business in California has escalated due to insurance, workers' comp and minimum wage increases, companies in many industries have found it harder to do business in the Golden State.

By consolidating its business in Washington, Raleigh will likely realize cost savings and operational advantages

that it might have recouped long ago.

Sometimes a catalyst is needed to motivate executives to make difficult changes such as reorganizing a business or overhauling its operating structure.

Current economic pressures could induce many more company leaders to make sensible moves to restructure and realign their businesses.

## Guest Editorial

## We Should Take a Cue From Outdoor Industry and Collaborate

BY BRIAN FOLEY

In the March 1 issue there was a spirited exchange between representatives of Specialized and Cannondale regarding Dorel's investment in the Cannondale brand. As someone who represents a specialty retailer of bicycles and outdoor gear, I would like to point out some alternative perspectives concerning the assumptions driving these viewpoints.

Much of what was shared represents some entrenched mental models surrounding the relationship between manufacturers, product brands, retail brands, customers and potential customers. The most noticeable situation reflected in these letters is a profound lack of trust and collaboration among key industry stakeholders. This has been driven by the hyper-competitive conditions currently existing and being promoted by many of these same stakeholders. This pervasive situation leads to a number of negative consequences

for the entire industry:

- The characterization of ownership changes like this as "threats" with the requisite spreading of speculative misinformation. This contributes to dealers becoming preoccupied about the authenticity of the brands they carry, instead of devoting energy and resources to developing positive customer association towards their own retail brands.

- An enduring apprehension concerning the perceived negative aspects (poor quality products and services) of non-IBD channels of distribution. This has led to a sense among many IBDs that other distribution channels are inherently in competition for "their" customers. These other channels can alternately be viewed as providing a service to the specialty channel by introducing millions of non-cyclists to the activity.

- The IBD channel (and most specialty product brands) have inadequately addressed the needs of the recreational

and non-cyclist. Without new cyclists, the number of enthusiast cyclists will continue to shrink, leading to ever fiercer competition for their dollars.

In addition to these negative consequences, a number of opportunities can be addressed through true industry collaboration. Many other industries, most notably the outdoor industry through the OIA, have established collaborative working groups with representatives from competitors to address industry initiatives. For the bike industry these would include:

- Real consumer surveys and focus groups of recreational and non-cyclists to gain better insight into the barriers that keep them from riding a bike.

- Diversity and inclusion research and best practices aimed at developing strategies to engage and invite more youth, women and ethnicities into cycling.

- Better coordinated advocacy efforts promoting the many health benefits of

cycling to individuals and society.

- Addressing potential industry-wide image risks associated with growing consumer concerns over corporate social responsibility in areas like fair labor issues in the supply chain; environmental concerns surrounding materials used in the production and transportation process; and environmental footprint, carbon footprint and product lifecycle issues.

All of us who are passionate about cycling not only as a sport and recreational activity, but also about its potential to help solve urban traffic congestion, air pollution, global warming and oil dependency need to learn to effectively collaborate! There will always be a place for honest competition, but these opportunities are too big for any one stakeholder in the industry to address alone.

*Brian Foley is the cycling category manager for REI.*