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Automotive Suppliers Can See Growth in Powersports Industry

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Gary Gustafson | Nov 11, 2013

Throughout the cyclical history of the North American automotive industry, there are times when economic conditions motivate suppliers to develop sales in adjacent markets.

One adjacent market sometimes explored is the powersports industry comprising motorcycles, all-terrain and utility terrain vehicles, snowmobiles and some personal watercraft.

Today, the reasons for diversifying into powersports are as strong as ever, with the economic recovery stuck in low gear but some markets such as UTVs enjoying a double-digit annual growth rate.

Many component markets have a capitalization of \$10 million-\$99 million or more per year. While lower volume compared to automotive, powersports components typically sell at a higher margin, especially in the aftermarket.

The step from automotive to powersports can be difficult if not handled properly from the initial sales call to serial production. Here are some considerations for automotive suppliers looking to compete in this arena:

- The business climate is more casual. Suits and ties are rare except for executive-level positions, and even there the dress

standards will vary from company to company. In some cases, overdressing will identify a salesperson as unfamiliar with the industry.

- The average time to market for powersports is less than for automotive. In the powersports industry the axiom that “new sells” has become a way of life. While new vehicle platforms can take years to launch, it is not uncommon for a powersports component to go from bid to production within months. And this can occur not just with a component, but with an entire system. Leading OEMs such as Harley-Davidson and Polaris have excellent product-development processes, but automotive suppliers should consider supply agreements with smaller OEMs with both eyes open and gauge their comfort level with the shorter project timeline.
- Powersports OEMs do not often require ISO, TS or other supplier certifications, although they expect similar quality. Purchasing decision-makers understand the costs of such certifications can outweigh the benefits for smaller powersports-centric vendors.
- Company cultures are unique. Supplier selection processes vary widely among companies and products. Further, commodity managers in the ATV or snowmobile industry may have concerns about the commitment of automotive suppliers to their comparatively smaller markets.
- Powersports systems have product requirements that differ from automotive or heavy-truck applications. Exceptional moisture and dust ingress standards from International Protection (IP56-IP67 and up) often must be met, and the available electrical bus power is sometimes messy. Shock and vibration also can be extreme. The operator will be accessing controls and viewing the instrument cluster while moving around quite freely and wearing heavy gloves. Parts that are usually shrouded on an automobile may be exposed and require strict cosmetic treatments on a motorcycle. Commodity managers enjoy being able to source catalog automotive items for cost and availability, but care should be taken to ensure the

environmental and operational standards for these parts are a good fit for a powersports environment.

- Product specifications included with an RFP can vary from highly detailed to scanty, depending on the originator. At some micro-OEMs and aftermarket brands, a supplier may be given a physical part and asked to “quote this,” but major OEMs usually provide a reasonably detailed product specification. Suppliers need to know what questions to ask for clarity, and they should not be afraid to push back for more information before quoting. The best commodity managers and engineers respect manufacturers that demand a well-informed project launch. Building rapport while establishing facts with urgency is the required art.
- It may take extra effort to compile regulatory standards for the component. Powersports engineering standards are derived from a bevy of sources, including tribal knowledge, self-governing industry bodies such as the Recreational Off-Highway Vehicle Assn. and the Special Vehicle Institute of America, Consumer Product Safety Commission mandates, state agencies such as the California Air Resources Board and the like. Vehicle types within the same category can differ as well – for example, some UTVs are categorized as Low Speed Vehicles.
- Powersports OEMs sometimes have limited testing resources, and most aftermarket companies definitely do. Testing requirements can vary widely depending on the organizational maturity and desired timing of the release. Suppliers used to automotive-level testing programs may need to make an adjustment in their expectations and then quantify any testing risk vs. safety, reputation and return on investment. On the other hand, suppliers that offer in-house testing can gain a competitive advantage.

It should be noted that the most successful crossover vendors have separate divisions to cater to the automotive and powersports sectors.

The powersports industry is an exciting field that generates passion amongst enthusiasts and business owners alike. Suppliers that approach the industry correctly can convert that passion into profit.

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Source URL: <https://www.wardsauto.com/ideaxchange/automotive-suppliers-can-see-growth-powersports-industry>