

# Industry Threats

by: James Erskin

Just like any other industry, there are always many threats which stand to reduce the marketability or profitability of the products, goods or services being offered. The UTV Industry is no different. Currently, it is the fastest growing segment of off-road motor sports and looks to make up majority market share over the next decade. The industry is just getting some momentum and new innovations as well as advancements are abounding everywhere.

Nevertheless, there are some old threats as well as some new that stand to shed 5 years off of the lasting profitability of the UTV market. There is not enough time or editorial space in this magazine to discuss all the issues and threats that exist: environmentalist agendas, public lands restrictions, class-action law suits over safety issues, as well as the economic impact on consumer spending. Of all of these issues, we feel the greatest impacting threat is the influx of China made vehicles and short term opportunists who do not care about such issues as product safety, product quality, parts availability, customer service or dealer reputation or warranties.

Within the past 5 years, the surge in poor quality, cheap China made ATV's has increased to represent a staggering 50% of all ATV's currently being sold in the USA. Fly by night wholesalers and dealers who are searching the web for the cheapest UTV's available are increasing every year.

We spent some time online and found about 9 companies who are manufacturing ATV's, mostly in the southern part of mainland China. 90% of these companies participated in the ruined reputation of ATV's and are responsible for significant damage to the marketability and price point of this industry. Now that they have ruined the pricing and competition has become too keen even for the China companies, they are looking to do the same thing in the UTV market.

Before we go any further, we should probably say that this is not a bash on China, but rather a look at why their mentality and ideology for business makes the effects of their presence in any industry damaging. Currently, 70% of all consumer goods come from China and there are some very good companies that operate with a business model that is more Western minded than

Eastern. There are also many multi-national companies that import their own goods which are manufactured under the direction and supervision of Western management which results in some very good products. These are not the type of companies or products we are talking about.

The damage is coming from companies that copy an idea with inferior parts and components and sell them to anyone who will pay for a full container of goods to be exported from China. No contract, no war-

ranty, no requirements for replacement parts and no protection. They will sell to you and without even batting an eye, also sell to the guy across the street.

We interviewed some companies who have years of experience in dealing with China companies and were enlightened quite a bit. One company says that they originally began looking for China UTV's a year ago. The first problem they encountered is that 91% of all the so called "factories" advertising online are not factories at all. In China, they are called "traders". In the States we know them as "brokers". They will profess to be the manufacturer but in the end they are just a one room office with a website and a telephone. Apparently, the worst part about these guys is that they will say anything, commit to anything and in some cases, take your money without ever producing the goods, let alone returning a phone call. They always want to sell a sample. We were told the buyer should exercise extreme care.

If your lucky enough to actually track down a real factory, your worries are just beginning. We were told of a company called TNS in Yongkang that began working with our informant. At first impressions from photos online, they appeared to have a good looking machine at a price that could be retailled at about \$4K less than the more popular factories. Our guy actually went over to test drive their machine and research 7 other companies whom he found online. The three week trip was a test of patience. Most of the appointments ended up being with traders who had no machines to test and were hours away from the factory they claimed to own. The others had machines that looked good on the outside but had lists of problems too big to mention. The most common problems were poor welding, transmission and electrical issues.

Of all the companies, TNS seemed to have the best deal. So after being wined and dined by the company president (Yetting Ying), our guy placed his order for a 40 foot container full of machines. Problems first began when he requested pricing for spare parts, but the pric-



ginning to flood the market with UTV's just like they did ATV's. Most of the guys bringing this stuff in are not legitimate dealers with parts rooms, service departments, warranties, or any interest in offering service after the sale. The truth is in most cases that even if they did want to order a replacement part, their overseas supplier would find it difficult accommodating the request.

Another problem with most Western run businesses is that they try to consider the China opportunity based on their Western business principles and ethics and in terms of Western ideology but from what are were told, China just isn't ready for that yet.

Another serious issue is that the legitimate manufacturers want to just ignore the problem. It is affecting everyone, but the teamwork necessary to come up with some solutions and even perhaps a joint contribution toward consumer education isn't looking likely. What we need is for everyone to work together and contribute towards a media campaign that educates the public at a local and international level.

(This will not be the last of editorials on this topic from this magazine because we want to play a proactive role in the preservation of this market.)

If your thinking about working with or going to China direct, or even working with a wholesaler, refer to the article on page 44 for a list of precautions to consider before you get taken for a ride. Our guy says his experience with TNS was going to be a good deal. He asked all the right questions, visited the factory and really wanted to set his business up right, but the factory he chose to work with had a mindset that was so off base, that it would be hard for anyone to appreciate and understand it unless you had experienced it personally. Ultimately, he ended up with several upset customers and threatened lawsuits for his inability to service several transmissions that later were discovered to be the wrong size to the weight and engine size. Now with the TNS machines showing up on E-bay for nothing, he's stuck with several thousand dollars in parts for machines he will no longer carry.

By the way, we were asked that if anyone wants a bunch of spare parts for cheap, contact us and we will put you in touch with a very nice man with a long China story to tell.

ing was refused until after the first order had shipped. Once the order shipped, the feared became the evident. Now that our guy had his machines, he were being gouged on the replacement parts. Once spare parts were finally received, they discovered that many of the parts had changed and they had no tracking system for what models were bought and sold or when they made parts changes. This made the re-order process impossible.

The more our guy tried to solve these issues, the less available TNS became until his emails and calls were ignored entirely. This required a follow-up trip to China to sort things out. Many of the machines he had imported had been sold and even though the factory guaranteed spare parts, they could not locate the right parts and pricing for the spare parts changed daily.

The final straw for our guy was when within a month of receiving his first container, he began finding TNS machines on Google and E-bay for sale from fly by night internet retailers at a few hundred dollars over cost. Guys like this can sell a lot of machines but the customer and our industry end up getting taken advantage of in the process. They sell a bunch of machines real quick, but when the phone calls are more for complaints than new customers, they change their website, email, phone number and start over again. Ultimately, the legitimate dealers gain these customers but not without people losing a lot of money first.

The problem is that China does not know how to say "NO". They will sell to anyone regardless of location and without any rules. They are be-

