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## For Ski-Doo maker BRP, expansion into land vehicles has hit a rut

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*Sales for the Quebec-based company's Spyder trike have fallen amid pressure from rivals and unfamiliarity with the brand*

BRP Inc. launched the three-wheeled Spyder roadster<sup>1</sup> for people longing for the rush of wind in their hair but too afraid or strength-challenged to buy a traditional motorcycle.

Now the Ski-Doo and Sea-Doo maker is finding that its foray onto the paved road is littered with potholes.

Roughly 10 years after BRP first introduced the original Can-Am Spyder trike, a powerful motorcycle with two wheels in the front and one in the back, the product has hit a rut. While its off-road vehicles, snowmobiles and watercraft continue to gain market share and deliver profits, the Valcourt, Que. manufacturer's decision to bring a sporty but safe open-air riding experience to the masses suddenly looks a lot more vulnerable.

Spyder sales for the spring to fall riding season this year fell in a "high teens" percentage, the company said in reporting third quarter earnings Dec. 11. Sales were down industry-wide in North America for motorcycles priced over \$18,000 but Spyder fared even worse. The company has hired an executive with several years of experience at sunglass maker Oakley to put the business unit back on track. A plan to fix Spyder is expected early in the new year.

### **Read more: Ski-Doo maker BRP vows to stay in Mexico if U.S. leaves NAFTA<sup>2</sup>**

"We're disappointed with the season and we're taking steps to turn things around," BRP CEO José Boisjoli told analysts. For Spyder to reach its full potential, the company will need to increase its focus on the business and use a different approach with dealers and customers, he said.

"The one big elephant in the room" the last couple of years has been competitive pressure from rival Polaris Industries Inc.'s Slingshot<sup>3</sup>, said Gary Gustafson of industry consultancy G-Force in Clear Lake, Minn. "In the U.S. market, it has definitely stolen some of their thunder."

Polaris, one of BRP's main competitors in snowmobiles and ATVs, rolled out the Slingshot in 2014. Although the two roadsters are not exactly the same – Spyder has handlebars and sits passengers front and back while the Slingshot has a steering wheel and sits them side by side – the Polaris product did validate BRP's three-wheeler roadster concept.

Before 2014, the Canadian company had the segment to itself.

Al Dolecki, owner of Dee's Marine, a BRP Can-Am dealer in Clinton Township, Mich., is unequivocal when asked why he's not selling more Spyder trikes.

"You don't need to be a brain scientist to figure it out: It's overpriced," Mr. Dolecki said of the Spyder, which starts at about \$15,000 (U.S.) for a base model. He said kids can't afford it while many older people who want a higher-end model are opting for the Slingshot and other products because they offer more metal for less money.

"They think they're Harley-Davidson," Mr. Dolecki said of BRP's effort to maintain long-term brand value by limiting discounting this year. "They're not."

Familiarity with the product is another potential issue, said Chad Brooks, a new Can-Am dealer based in Grantville, Pa. BRP has made a concerted effort to recruit new Can-Am dealers and sponsor rider groups in recent years in a bid to grow the entire product lineup. But the roadster still suffers from a preconceived notion by some powersports enthusiasts that it's an underpowered bore.

"Everyone kind of assumes things about them. How they're going to handle, things like that," Mr. Brooks said. "Anyone who comes through the door, if we can get them on the unit, that's typically a huge selling point right there. When they get on it, the closing rate is a heck of a lot better."

The good news for BRP is that it's broader business rationale for the Spyder – democratizing the motorcycle experience by making it accessible to people too afraid or too frail to handle a highway-worthy two-wheeler – remains solid, Mr. Gustafson said. He believes the company just needs to retool its approach.

"They sky is not falling on their heads," Mr. Gustafson said. "The fundamentals are there."

Two big demographic shifts in the motorcycle industry support his view.

First, more women are not only riding motorcycles but also buying them. The number of women owning a motorcycle in the United States doubled from 2003 to 2014 and out of the 9.2 million motorcycle owners in that country, 14 per cent of them are women, according to figures<sup>4</sup> published in 2015 by the Motorcycle Industry Council. Second, the youngest baby boomers, the generation born between 1946 and 1964, are now at least 52 years old. With each passing year, the appeal of a third wheel to provide stability grows.

BRP has built more than 100,000 Spyder units since the trike's launch. The global financial crisis of 2007 and recession undermined initial sales but the vehicle subsequently gained traction both in North America and abroad. Still, the introduction in 2015 of the F3-T<sup>5</sup>, a cruiser version with extra cargo and a larger windscreen, did not generate the sales expected, BRP says.

The company does not break out separate results for Spyder. They're part of an overall 48-per-cent gain in revenue for year-round products in the latest quarter, to \$384-million (Canadian). For its last full year, BRP tallied a profit of \$52-million on revenue of \$3.8-billion.