

Scooter parts company establishing Chinese base

Parts for Scooters works with more than 1,700 powersports dealers in the United States

BY LISA YOUNG

■ EDITORIAL ASSISTANT

John Celestian is a classic entrepreneur: He saw a hole in the marketplace and set out to fill it. The thing is, he didn't know how wide or deep that hole would become.

Not that he's complaining.

His company, Parts for Scooters, has evolved and grown as Celestian and his team grease the supply chain between China and the United

States and try to educate as many dealers as possible along the way.

The online retailer has seen dramatic growth since it first started reselling parts for Chinese-made scooters, dirt bikes and ATVs to dealers and consumers in 2005. Parts for Scooters currently works with more than 1,700 powersports dealers in the United States, including 154 new customers it added at the 2007 Dealer Expo, where the company made its first appearance.

Today, Parts for Scooters sells to dealers and consumers through its Web site, www.partsforscooters.com. It primarily sells replacement parts, from internal engine parts to body parts, rather than upgrades, although it does carry some cosmetic parts, for Chinese-made scoot-

ers, ATVs and dirt bikes. Parts status is noted online. It also carries a smaller assortment of high-performance parts from Taiwan.

The company has a 6,000-square-foot warehouse in St. Petersburg, Fla., but is looking into shipping some parts directly to select customers from China. About half of its parts' business is consumer; the other half is retail.

Parts for Scooters started in 2002 as neither a parts nor scooter company. Instead, Celestian resold pocket bikes and mini-scooters, most of which originated in China, primarily directly to consumers, but it helped open the door to his current circumstances.

"Really [getting into reselling mini-scooters] was somewhat by accident," Celestian said. "I had

been involved in many Internet-related things, so I was looking for products to sell online. I saw that the mini-scooter was a really big segment at the time, so that's what got me involved."

From that initial involvement, Celestian heard from an overwhelming number of customers frustrated by the lack of replacement parts for the motorized toy vehicles, and he found there wasn't a company supplying these parts from China. Customers were starting to take their malfunctioning bikes to powersports and small engine repair places, which were in turn looking for replacement parts.

It was then Celestian realized a business gold mine was potentially at hand: Entrepreneurs are

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TUCKER

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quad aftermarket suppliers?)"

Dealers will certainly see more products aimed at the UTV buyer.

Tucker Rocky unveiled at least two new vendors — RedArt and J.Strong Industries — that are solely devoted to providing side-by-side accessories. Plus, a number of companies known for developing ATV products, including Pro Armor, also are offering UTV accessories.

Urquhart sees the UTV aftermarket, which has "grown exponentially" at Tucker Rocky, as "a very, very crowded market right now."

Even as the UTV aftermarket grows — Urquhart expects that will be the case for at least the next three to five years — the deluge of companies entering the sector doesn't figure to last.

"The cream always comes to the top, so it will probably be a two- or three-year shakeout," he said.

Tucker Rocky has responded to the growth in its ATV sector by recently adding a fourth segment buyer, to ensure a consistent inventory, and by examining its outside sales staff's territories.

Del Munoz, Tucker Rocky's director of outside sales, said the company has worked recently to ensure reps have more time to spend at dealerships. To do that, Tucker Rocky has split up some territories, creating six new sales areas for its outside reps. The distributor now has 137 outside sales reps and approximately 20 inside sales staff. **PSB**

Q&A

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Brett Snider
marketing manager
White Brothers

What's done surprisingly well this year?

"For us, surprisingly, the utility ATV market. There has been a bit of growth probably with the introduction of our XTR, our price point system. Historically, we haven't had a huge number of applications for that segment. Now with that offering and with it being the price point that it is (under \$300), we've actually done really well with that."

Where are you seeing a softening?

"For us, the motocross segment has slowed down the most. Your core enthusiast racer is still buying the product, but your more casual guy, the weekend warrior" is watching his pennies more. "And we've seen it out at the race tracks too. We've seen more stock exhaust systems out at the tracks than we have in the past couple of years and our sales do reflect it Their riding hasn't necessarily changed. But instead of buying full (exhaust) systems, when they are buying stuff, they're just buying a slip-on."

— Neil Pascale

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SCOOTER

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always looking to make many small transactions (in this case, parts), instead of a few large transactions (mini-scooters and pocket bikes).

So the company started working with Chinese manufacturers to build a better supply chain for the smaller vehicles. Through this avenue, Celestian learned the same problem existed for the influx of regular-size scooters and other powersports products coming into the U.S. from China.

Parts for Scooters heard from dealers who were worried about a steady parts supply for Chinese product. Having observed the supply problem and dealers skittish to commit to selling a product they may not be able to fix in a timely manner, Celestian and his cohorts switched things up once more, in 2005, to make Parts for

Scooters what it is today. Upon making that move, the company began developing its dealer base and marketing itself.

Instead of getting parts from the scooter companies, Parts for Scooters tries to get parts directly from the component manufacturers. Many times, the brand of the product doesn't matter since many scooter makers in China use the same basic parts, said James Canning, Parts for Scooters' vice president.

Beyond getting parts from the original manufacturers, Parts for Scooters has perhaps a bigger ongoing task to continue to improve the Chinese-American parts supply chain by shifting the mentality of Chinese manufacturers.

Before companies like Parts for Scooters got



JOHN CELESTIAN

involved, most Chinese manufacturers weren't concerned with getting parts to the U.S., simply because they hadn't thought of it, Canning said. They put more time into production and may have been under the impression that because the vehicles were so cheap, people would just go out and buy a new one if something was wrong with the old one.

"It's a difficult process getting the right parts here, even for us," said Celestian, speaking from China, where he has been with his family for the past six months working on refining the process. Another contributor to this problem has been that not only is the Chinese supply chain in the early development stages, but so is the country. In Japan, for example, where there are several established powersports brands, the supply chain is highly engineered. Also, since China is growing industrially, there are times when there are shortages of raw materials, such as rubber, Celestian

said. These growing pains have caused price surges for many of the parts the company buys, especially batteries and tires, Celestian added.

Despite all these obstacles, Celestian knows the company is on the right path because he's heard it from his dealers.

"What we hear from a lot of people is that they would not touch the Chinese products because they didn't think they could get parts for them. But now that we're around, they know they can get them," he said. "Dealers out there know that if they sell a product that has trouble and gets back to them; if they can fix it, then they can save face."

Celestian is working on setting up a small Parts for Scooters facility in central China, where the company will manufacture some of its own goods, particularly assemblies, such as wheel and wire harness assemblies. The facility also will improve the supply chain.

Another benefit to having its own facility in China is it will allow Parts for Scooters to install some quality control measures for the parts it ships to the United States. The company has had to develop acceptance procedures that are unique for each part, but it's the only way to have a good supply chain, Celestian said. This way, inspectors can reject items before they even reach a shipping container. In addition to operations in the U.S. and China, Parts for Scooters sells to a handful of dealers in Europe.

Looking to the company's future in the U.S., Parts for Scooters plans to continue to keep tabs on new Chinese powersports brands entering the country, Celestian said.

The company also is eventually looking at getting into supplying parts for Chinese-built cars and opening another location in the U.S.

"I want dealers to feel comfortable about working on these Chinese vehicles," Canning said. **PSB**

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