

The wheel deal

Passion helps steer cyclist's Torrance bicycle business.

By Joanna Lin, Staff Writer

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Bikes owner John Vanhara, shown in his Torrance warehouse, sells beach cruiser bikes. Vanhara has about 1,500 bikes in stock. (Bruce Hazelton/Staff Photographer)

When John Vanhara was in the market for a new beach cruiser, one just wasn't enough.

He bought 150 of the bikes and started a business.

"I was just looking to get an inexpensive bike myself," said Vanhara, who went on to found XYZ Bikes in Torrance. "It was cheaper to buy 150."

Cheaper per bike, that is.

Unable to find just one inexpensive bike that suited him online or in stores, Vanhara went straight to the manufacturer to buy in bulk and save a bundle. He rented a self-storage unit, unloaded all 150 beach cruisers himself, put up a Web site and sold every bike within a month, except for the one he kept for himself. That was in 2006.

Little more than a year and a half later, XYZ's monthly sales have doubled to 300 beach cruisers per month. His typical bike retails for about \$100.

The company has also moved into its own spacious Torrance showroom and warehouse, allowing customers to buy in person as well.

XYZ is operating in a huge market segment. Nationally, total bike retail sales - as well as parts and accessories - were \$5.8 billion in 2006, according to the National Bicycle Dealers Association in Costa Mesa. That was down from an all-time high of \$6.1 billion in 2005.

Vanhara says about 60 percent of customers order online, but many pick up their bikes in person. He encourages nearby customers to come to the showroom to pick up a fully assembled bike rather than attempt self-assembly at home. (Of the three to four repairs XYZ performs each month, most are to fix bikes that were incorrectly self-assembled.)

For online-only customers, orders placed in the morning are shipped the same day, meaning bikes arrive in one to two days - a delivery speed

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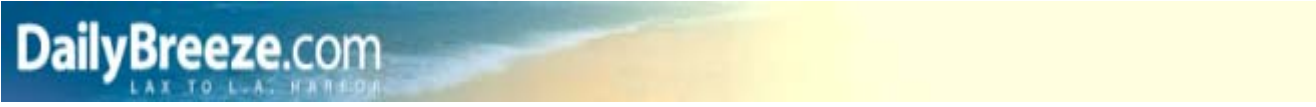
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that Vanhara boasts is "unbelievable."

But delivery wasn't always this fast. Through trial and error, Vanhara has learned what makes a semi-online bike business successful.

When XYZ outgrew its self-storage unit, it moved all its bikes to a fulfillment company in Manhattan Beach. The company stored and shipped all Vanhara's beach cruisers but had frequent problems. The wrong bikes were shipped, processing took days, customers weren't happy. Vanhara said that although using a fulfillment company seems like a good idea, from his perspective, it "destroys the business."

Now, XYZ handles fulfillment itself, from processing orders to shipping out bikes. XYZ employs one person to process all orders and another to assemble and repair bikes. Although temporary workers help unload bike shipments, as a small company, Vanhara says, "sometimes I unload, too."

Vanhara also serves as the company's unofficial bike tester. Every two months, he'll get a new bike and try to improve it. Through his and customers' suggestions, he'll tell his manufacturers, based in China and Taiwan, what features or modifications he wants on XYZ beach cruisers.

As simple bikes, beach cruisers don't call for very rigorous testing.

"It's not like rocket science," Vanhara said. "Sit on the bike, see if you like it. That's pretty much

it."

Beach cruiser buyers are looking for comfort, Vanhara says. With a large seat, low handlebars and thick tires, "this bike isn't for racing." Most beach cruisers have just one speed and are meant for recreational riding.

A simple bike like a beach cruiser is ideal for South Bay residents, says Vanhara, who moved to Redondo Beach because he was "tired of the bad weather" in Las Vegas in 2005.

"You don't want to be driving a car around. You want to be riding a bike around," he says of the South Bay's beach neighborhoods.

While living in Las Vegas, Vanhara ran Inc Paradise, a firm that helps businesses incorporate in Nevada. He still runs that company on the side.

Vanhara frequently takes his bike (currently a brown beach cruiser) to nearby Hermosa Beach, where he plays volleyball. It's on the beach where he sometimes sees chopper cruisers.

Chopper cruisers are exactly as they sound - motorcycle chopper meets beach cruiser. Longer and low-riding, the chopper's target customers are "people riding on The Strand, saying, 'Look at me on this chopper,'" Vanhara said.

Vanhara says choppers are more difficult to ride than classic beach cruisers, and certainly aren't a mass-market bike. XYZ keeps about 300 choppers in stock, with about three models that

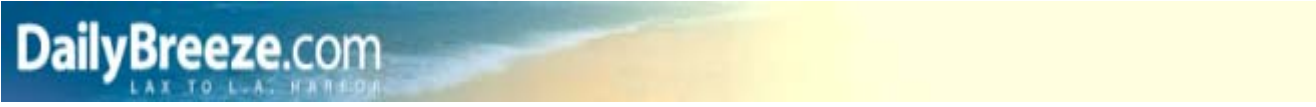
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come in two different colors each.

Although classic beach cruisers come in a wider variety of colors, Vanhara says most customers stick to black or white.

In his first bike shipment, Vanhara ordered many colors but couldn't sell them well. "We would sell maybe 10 black bikes for every one blue bike," he said.

Online feedback has also helped Vanhara refine business. Vanhara keeps a blog on XYZ's Web site to inform visitors of new bikes, but also to drum up new ideas and business.

Since the Web site launched in August 2006, XYZ has offered bloggers free beach cruisers in exchange for reviews. Initially, Vanhara says he got three or four people writing about his bikes.

"It's not like we got hundreds of people writing about it, but it was still great," he said. "You get something, it generates some sales, it helps you."

XYZ's other online offers include free beach cruiser design labels for writing about and linking to XYZ's Web site, and an affiliate program that gives 5 percent commission on each bike sale. The company currently has 27 affiliates.

XYZ's online initiatives are what Vanhara calls small pieces to his company's success. Each offer may receive only a handful of responses, but Vanhara says he considers that modest amount a

success.

"A little bit here, a little bit there - in the end it's great, and all these small pieces have some impact, and I'm happy."

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