

# B2B

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## Brick and Mortar Advantages

Round House owners celebrate store's 40th anniversary and reflect on facing new business challenges with old-fashioned customer service

Larry Merkel, co-owner  
of The Round House Sports Center





# Brick and Mortar Advantages

BY ANIKA HANISCH  
PHOTOGRAPHY BY SEAN SPERRY

Round House owners celebrate store's 40th anniversary and reflect on facing new business challenges with old-fashioned customer service

**P**OINTING AT A PHOTOGRAPH ON HIS desk, Larry Merkel described how he and his wife, Rita, were involved in the early years of The Round House Sports Center. The photo is of the shop's first children's ski program in January 1972. Those children are adults now, and many still live in the area. "Kids from 1972 are now bringing their kids here," Rita said. "That's the fulfillment of the business." The couple is clearly proud of their accomplishments with the business and their ongoing relationships in the community.

Friends with the original owner, Larry was initially involved as an employee when Round House was founded 40 years ago, in 1971. "We started out in October. All

major ski lines had already been procured by our competitors," Larry said. Not the most ideal footing for a business start.

The shop survived its first season though, and by summer of the following year, Larry had just graduated from MSU and now owned half the business. Soon he and Rita would be full owners. They catered to families, providing affordable packages and offering ski lessons. With a community-minded focus, the business grew under the Merkels' leadership.

Over the years, they saw rapid growth in regional skiing opportunities as Bridger Bowl was joined by Big Sky, Moonlight, and the Yellowstone Club. Though Round House stayed in the same location, the business underwent

three expansions responding to the growing market. The Merkels watched their hometown go from “a sleepy town with a good environment for skiing to becoming more of a resort town.”

Larry added that Bozeman is different though, in that it doesn't shut down in the summer like many other ski destinations. “We're not a resort town with shoulder seasons. As soon as skiing ends, people are into biking and golf and fishing.” From the start, the West Main Street shop catered to both skiing and the parallel summer sport of biking.

Along the way, the Merkels have navigated some turbulent business waters. Storefronts in every industry have felt the impact of the economic downturn, while specialty shops selling sporting goods have been doubly hit by the draw of internet deals and big box prices. Regardless of purchasing venue, ski and snowboard sales have been affected by the economy with a dramatic dip in 2004 and another decline from 2007 to 2009. The snow sports industry saw 408 storefronts go out of business in 2008 and 2009, according to data from the Snowsports Industries of America.

Larry is unequivocal in summarizing his response to a trying economy: “Price is only an issue when there is an absence of value.”

That sense of value is clearly the defining factor in all the Merkels' business decisions, whether qualitative or more intuitive in nature. Whether they are testing equipment and clothing in local conditions, cultivating an employee base that is often more knowledgeable than their vendor reps, quickly handling repairs, or simply asking a loyal customer how last year's purchase worked for them, the shop is focused on one key question. How can we build a relationship with the customer so they decide the local shop is their most valuable option?

That customer decision is made with increasing

speed. As so many business owners know, the customer who is “shopping for a good price” has a new tool.

“Last spring, three college kids came in. One boy was shopping, and I thought the boys' buddies were playing games on their phones,” Larry said. They

Larry Merkel has been involved with The Round House since it opened 40 years ago, in 1971. Within a few years, he and his wife became full owners of the business.

were actually cost-comparing on the internet. Larry brushes aside any allusion that he might take offense at that new customer strategy.

“I welcome these guys,” Larry said, and explained that he actually prefers the in-store cost-comparisons over having a customer quietly disappear and make a purchase decision in a different store or online at home. Rita agreed, “We want to know what we're competing against... It's better to have an opportunity to talk to them.”

And when the Merkels and their staff connect with customers, they're quick to highlight what they provide that other venues do not. Namely service: qualified advice on which equipment is best for the region and for specific skiing abilities, personalized gear fitting, the knowledge that warranty and return issues will be

handled expediently. That translates into a pleasant experience for the customer and also a level of financial assurance for high-end purchases, as well as the pride in supporting a local economy.

“That is the brick and mortar's business advantage... they recognize you,” said Chris Naumann, Executive director of the Downtown Bozeman Partnership. He commented on the sense of ownership community members feel when they choose to purchase at local independent shops and the relationships formed between customers and businesses.

“Seventy-six percent of money spent locally stays in the community,” Naumann said, and acknowledged that some customers spend locally for that reason alone. “That's nice, but what really creates loyalty is the relationship with that store... That can't be replicated on an internet site or in a big box store.”

Websites may provide “recommendations” based on your browsing history, Naumann said. “It's specific to



The Round House caters to bikers after the snow melts.

you, but there's no human interaction.”

In addition to such intangibles as feeling good about a purchase, there are more concrete factors on the line — especially with skis. Larry explained that they purchase equipment that is best suited for the unique snow conditions in this area, and they educate their staff on matching equipment to skiing ability. He has heard of customers purchasing “a deal” on the internet only to discover it was a ski designed for hard pack and not appropriate for our region. Or worse. “A vendor will make a ski, and there's a quality issue with it. They have to get rid of it. Where does it go? eBay or Amazon, where it's sold at a reduced price with no warranty,” Larry explained. When it comes to sports equipment,

local specialty shops have the advantage of being able to educate the consumer and ensure that the purchase is both safe and appropriate for the individual's skill level.

Business challenges haven't been limited to forces that directly influence where the customer decides to shop — or whether they have the resources to shop at all. Internet commerce also resulted in issues with equipment manufacturers.

“The vendor, if given the chance, will try to go around us,” Larry said of manufacturers who have historically sold direct to consumers online and undersold the stores that carried their equipment. Two years ago, specialty shops led efforts to ensure fair market prices so they could stay in business. Citing the importance of customer education — which occurs most effectively on a local personal level — the shops finally acquired a measure of protection on pricing in their dealer agreements.

“We've crossed a big hurdle... in establishing

the importance of the retailer to our vendors,” Larry said, emphasizing the importance of choosing vendor partners carefully. “I'm more optimistic now than I was three to five years ago.”

During all the hurdles, the Merkels found support through membership in a buying group called Sports Specialists Limited. “We're all specialty shops, no chains,” Rita explained. This has provided them with better prices and also camaraderie. “As small business owners, you compare everything from employee training to which products are selling,” said Rita. Membership has helped provide some of the buying power of larger entities while retaining their individual autonomy.

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## BRICK AND MORTAR

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Round House has been able to pass along the cost-savings to customers. Although the Merckels found that those savings were not enough for the consumers that were directly affected by the most recent economic downturn. To serve those who absolutely could not make immediate purchases, Round House expanded its equipment lease program and promoted a diverse gear rental selection both at its Bozeman location and at Bridger Bowl. "Families with kids are leasing instead of buying now," Rita said.

Naumann noted that this was a smart move. "There's no such thing as business as usual anymore," he said. "Whether it's a reaction to increased e-commerce or the economic downturn... You have to look for ways to stay relevant to your customer."

For Larry, surviving and thriving in his industry "is kind of like playing cards." Skill and strategy are mixed with a fair amount of chance as the

shop responds to a myriad of factors — snow quality, close-outs on the web, vendor relationships, and a decade of flat wage growth for their customer base. "But, it's a fresh start every September," Larry said.

After 40 years of undaunted creativity in a changing local community and amidst even more tumultuous industry forces, Larry is sometimes asked if he's ever going to slow down. He looked again at the photo of the 1972 ski class and smiled. "I'm not going to change," he said. "I enjoy the people too much."

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▶ The Round House Sports Center will celebrate their 40th Anniversary during their Ski-A-Rama sale, November 4-6, with vendor representatives available to answer gear questions.

For more information, contact the Round House at 406.587.1258.

## October 27, 2011 The Holiday Inn

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- **10:30 am** Registration & Vendor Show Begins
- **11:30 am** Keynote Speaker BioScience Laboratories, Inc.
- **1:30-4 pm** Breakout Seminars - Speakers Include Dave Glaser, Amanda Schultz & Ryan Hanson, Travis Frandsen, Jeff Pfeil, Anna Felton, Mayor Jeff Krauss, Mayor Elect Sean Becker and other elected officials

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