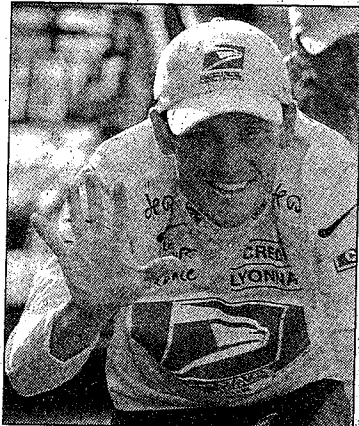


A Waterloo, Wis., company is riding high based on its longtime sponsorship of cycling star Lance Armstrong.



AP photo by Pascal Rondeau

Lance Armstrong's five straight Tour de France wins have paid off for Trek Bicycle Corp.

## Armstrong success is rewarding for Trek

By Robert Gutsche Jr.  
Special to the Tribune

When Lance Armstrong won his fifth consecutive Tour de France last month, officials at Wisconsin's Trek Bicycle Corp. knew their sponsorship of the cyclist was going to pay even greater rewards.

"We're going for No. 6," said Joyce Keehn, Trek's director of worldwide sales, who also said the company's sponsorship of Armstrong has increased across-the-board sales by about 60 percent from a year ago. Trek officials also attribute a 35 percent sales increase in Europe to building their brand around Armstrong there.

Having backed Armstrong each of the five years he has won, Trek is among thousands of companies that spend large portions of their marketing budget on sponsorships. It's often a gamble, but when companies put their chips on a winner, as Trek did, the payout can be enormous.

"Last year was our most profitable year ever since we started sponsoring him," Keehn said. "Our marketing department in the next few years said it's all about Lance, Lance, Lance."

The Waterloo, Wis.-based company, known for its high-end racing and lightweight road

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## TREK: New bike scheduled for fall release

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bikes, has dedicated between 30 and 40 percent of its marketing budget to sponsoring Armstrong.

In 2002, North American companies spent as much as \$9.65 billion to sponsor athletes and celebrities, up from \$9.25 billion in 2001, according to Jim Andrews, editorial director of the IEG Sponsorship newsletter. IEG Inc., based in Chicago, provides consulting with companies on sponsorship opportunities.

Andrews estimates companies will spend another \$10.5 billion this year on sponsorships. But while it's easy to measure how much a company spends on a sponsorship, it is much more difficult to measure the impact on sales, he said.

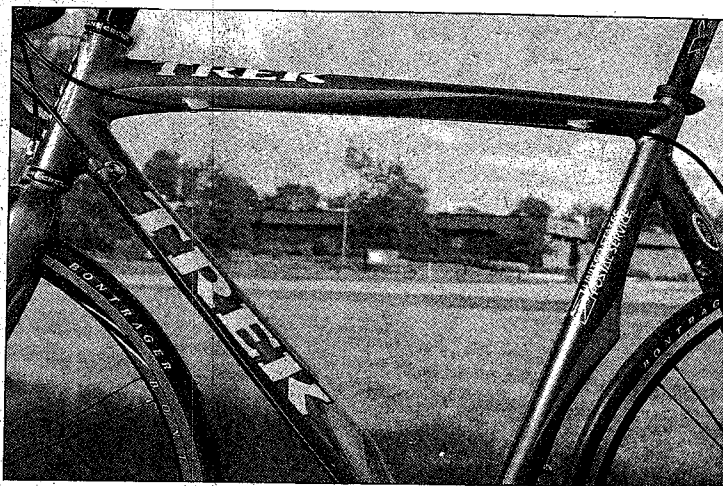
"It's a lot easier for packaged goods companies to see immediate increases in sales because that's something that everybody buys," he said. "You can't be a car company and see people buying cars the next day because of your sponsor."

As far as sponsors go, Armstrong tends to be one of the most desired, Andrews said.

News of his success in battling cancer has made him popular, drawing other sponsors like Motorola, the United States Postal Service and Nike.

"Even if he hadn't won, people could still use him because of what they have done with him in the past. He still would be a good story," Andrews said.

Companies must design an entire advertising campaign around those they sponsor, Andrews said, and Trek has done well to use Armstrong in most of



The special edition road bike based on the one Lance Armstrong uses has helped Trek increase its road bike sales by 25 percent.

its marketing on TV, the Internet and in print. The sponsorship is even influencing its product.

Because of Armstrong's latest win, this fall Trek will release a new bike, a fifth edition road bike, complete with a signed certificate from Armstrong. The company expects these bikes to be popular throughout Europe and the states.

Jim Conlon, marketing manager for Village Cycle Center at 1337 North Wells in Chicago, said his road bike sales are up 25 percent in recent years because of Armstrong. Trek bikes, which amount to about 10 percent of sales at Village Cycle, have also increased about 25 percent.

"As far as brand recognition and quality of product, Trek is our top seller and there has certainly been more traffic... it has been a pretty enthusiastic response. Armstrong's really doing a product test for the world," Conlon said.

When Trek started, it was averaging about \$18 million in sales each year. In 2002, sales were about \$400 million, which Keehn claims has been a steady number for some years.

"We're not seeing really high growth with this much market share (about 40 percent), and you wouldn't expect that in this market," Keehn said. "But what we are seeing is profit. We are

much more profitable than we were before," in part because of the company's marketing of Armstrong and better organization within the company.

Trek made about a million bikes last year. Many of its competitors each manufacture about 120,000 to 500,000 bikes a year.

According to Michael Gamstetter, editor-in-chief of Bicycle Retailer and Industry News in California, road bikes like the one Armstrong races have grown to 6 percent of market share in the United States from about 3 percent in the 1990s. Most road bikes cost between \$700 and \$4,500.

"Trek is the top guerilla. They are the ones with the muscle," Gamstetter said, adding that the company's service and programs help, too.

The specialty, smaller businesses that focus solely on quality bikes, such as Trek, make up the bulk of the industry—more than \$1.4 billion.

Founded in a barn in 1976, Trek now has offices in seven countries, but it especially has been working hard since 1992 to strengthen its European hold.

And Trek's reputation has businesses that sell their bikes boasting about Armstrong's success.