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Internet Sites Have a Toehold Over U.S. Shops for Climbers

Carlos Barrabes put his family's climbing-gear shop on the Internet five years ago, looking for a bigger market than the tiny mountain hamlet of Benasque, Spain (pop. 1,000). But he never thought success in the U.S. market would boomerang.

The U.S. accounts for about 25% of Mr. Barrabes's €8 million (\$7.8 million) in annual sales. But he recently hit an obstacle. Since Christmas, his American suppliers have been reluctant to buy his gear, which they resell to U.S. customers.

Lower wholesale prices in Europe and hit-and-miss custom duties in the U.S. enable Mr. Barrabes to undercut his U.S. counterparts. That has caused a backlash among U.S. climbing shops. Much of the industry has begun calling for a boycott of "European discount dot-coms" to protect U.S. shops from Barrabes.com and other European Web sites.

"Are dot-coms spelling doom for climbing shops?" asked an editorial last month in *Climbing*, a popular American climbing magazine.

This is the normal globalization script turned on its head: Rather than the American leviathan crushing small outfits in foreign countries, a handful of small European dot-coms, led by a pair of isolated shops in the Pyrenees, has an entire industry nervous. Even though climbing gear is a niche market, the dispute illuminates some of the challenges of globalization. Price differentials, fluctuating exchange rates, and different business models in various countries can make a mockery of what some call the "borderless economy."

"It's absurd," Mr. Barrabes says. "They're just afraid we'll get huge if they leave us alone -- and they're right." He blames big retail markups and an inefficient purchasing process for higher prices in the U.S. "The truth of the Internet is that the best company is the best regardless of where it's based."

American rock and ice climbers have grappled with limited equipment selection and relatively high prices for years; many take advantage of trips to Europe to stock up on specialized equipment at lower prices. Until the arrival of Internet shopping, the American and European climbing markets remained largely isolated from each other. For the past two years, though, Barrabes.com and a few other online stores have burst onto the U.S. outdoor market, helped by the generally strong dollar, which makes their goods cheaper. American climbers often discuss where to get the best gear at the best price and Barrabes's name is being heard more often. That is precisely the problem.

Are the European companies thriving simply because the American market is accustomed to hefty margins and burdened with an antiquated purchasing and distribution system? Or are they taking advantage of lax customs and sales-tax enforcement to undersell their American counterparts?

In its editorial, Climbing said continued growth of the foreign sites "could upend the U.S. climbing economy." The publication announced a moratorium on dot-com advertisements, a decision that was followed by other industry publications in the U.S. and Britain.

"We've got to buy time to let the industry get its game plan together," says Duane Raleigh, the author of the editorial in Climbing and now publisher of rival magazine Rock & Ice. "A lot of those retailers have been serving the community for 30-odd years; most of those dot-coms have only been around a short while. The government will have to come up with some kind of solution, like it did with steel, to put [gear sold by foreign sites] into line with domestic prices."

But trying to support mom-and-pop stores during retail revolutions can be tricky business. In France and Spain, regulation aimed at protecting small retailers backfired, says Jose Luis Nueno, a professor who studies the retail sector at Barcelona's **IESE Business School**. Other industry dynamics complicate the issue of protecting small shops: Many local climbing outlets in the U.S. have succumbed to large retail chains like Recreation Equipment Inc. of Seattle. "Regulation does not work in retailing. It is an unstoppable force," he says.

Unstoppable or not, retailers are worried. "If this is left unchecked, it would put us out of business rather quickly," says Rich Gottlieb, owner of the Rock & Snow climbing shop in New Paltz, N.Y. He says he has warned publishers, distributors, and other retailers to take steps to counter the threat from foreign Web sites undercutting U.S. shops.

The nature of climbing gear makes it difficult to compare with books, music or other merchandise sold online, or even most goods sold in retail outlets. Many people in the industry stress that local shops are crucial because they provide on-site expertise, fitting, and advice for gear that's often used in life-or-death situations.

"I feel like I'm trying to protect climbers as much as myself," Mr. Gottlieb says. "I'm more a climber than a businessman, and there's so many things we do locally that you can't do online."

For many climbers, the issue isn't a problem. "Most people go to their local shop when they first start climbing and spend a bundle," says Charity Dominic, a rock climber and backpacker in San Diego. "Then climbers go online and realize, 'hey, this is where you really shop.' "

She bought her rack -- the hefty collection of slings, carabiners, cams, nuts and other equipment needed for rock climbing -- for about \$600 online; the same rack cost about \$1,500 in nearby retail outlets. "Unless the local stores start to compete on price, that kind of lobbying [against European sites] just won't work," she says.

European companies also bristle at the suggestion, raised in the Climbing editorial as well as by distributors and retailers, that they are slashing prices and forsaking profits just to carve a handhold in the U.S. "We stick to the prevailing prices in the French market," says Neil Hardy, owner of Telemark-pyrenees.com, another site popular with U.S. shoppers. "It's a very competitive market, with very low margins, and if we raised prices 50 cents we'd lose business. U.S. retailers are used to fat margins." The U.S. market accounts for about half of Telemark's sales, he says.

Mr. Barrabes says his model is similar. "Our prices are competitive, but they're hardly the bargain of the century -- and we're still turning a profit."

Selling online at a level consistent with the lower wholesale and retail prices in Europe, largely the result of a more competitive market, doesn't sit well with U.S. manufacturers either. "We're not very happy to see the Internet retailers doing what they're doing," says Christian Jaggi, managing director for European operations of Black Diamond Equipment Ltd. in Utah.

Black Diamond, which sells some of its gear in Europe at lower wholesale prices than in the U.S., stopped supplying Mr. Barrabes during the spring because he refused to stop shipping the gear back to the U.S. "U.S. retailers don't like to see cheap prices for Black Diamond gear on the web," he says, especially when they watch customers use staff time to try out gear, only to make the final purchase online.

Hit-and-miss customs payments are an annoyance. Duties are rarely levied on online purchases from Europe, while U.S. distributors with licenses to import European equipment for retail outlets are obliged to pay. "I don't think it's fair for European Internet companies to say I'm price-gouging when they are, in many cases, violating trademarks, customs duties, and sales taxes," says Ed Sampson, president of Sportiva USA, a distributor for Italian footwear maker La Sportiva SpA.

Many participants in the U.S. climbing industry concede the explosion of foreign Internet sites highlights inefficiencies and abuses in the American market. "I do think prices need to come down," says Mr. Gottleib of Rock & Snow. "I don't know if the U.S. market isn't being exploited to a certain degree."

Even Mr. Raleigh, whose editorial helped ignite the public debate on the issue, concedes the climbing industry was caught off-guard by a revolution that already had changed the face of much of retailing. Of the industry's campaign to protect U.S. companies, he says: "I don't know if this is really the best approach."