

Bicycle Retailer

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Gas Price Hikes Fuel Sales of Commuter Accessories

Retailers React To Changing Mindset

BY NICOLE FORMOSA

BURBANK, CA—When Rob Stotts moved his H&S Bicycles to a new location in Burbank, California, this spring, he stepped up his stock of commuter-related accessories like panniers to hold laptops, slick tires and racks.

He also reorganized his shop's layout to emphasize commuter bikes from Kona, Jamis, Giant and Electra.

Stotts hasn't changed his business model—he still sells high-end bikes and has a VIP room for custom fits—but he says if his customers aren't already clamoring for commuter-oriented products, which many are, they soon will.

"I have a lot of friends who own bike shops and we all agree: Once gas hits \$5 a gallon, we're going to see a huge influx of bicycle sales," Stotts said.

Some economists say the nation's pumps could reach that benchmark by the July 4 holiday. Americans already appear to be driving less. The

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Photo courtesy of Bikestation
Bikestation will add three new commuter facilities, like this one, by early next year due to growth in bicycle commuting.

Distributors Stock For Rise in Repairs

BY MARC SANI

BLOOMINGTON, MN—When Steve Flagg reviewed his inventory reports recently, one item jumped off the page—27-inch tires. "We were totally unprepared for the demand in 27-inch tires," said Flagg, president of Quality Bicycle Products.

Wayne D. Gray, vice-president of KHS/Free-Agent Bicycles, noticed the same trend. "We're seeing a lot of demand for them. It's people taking their old Schwinn Varsity out of the garage and to a shop for new tires and a tuneup," said Gray from his Southern California office.

While no one thinks 27-inch tires are staging a comeback, retail demand for them is anecdotal evidence that consumers are behaving differently this season.

And, from the standpoint of some of the nation's key distributors, that's good news.

Distributors are enjoying a strong uptick in orders for a variety of parts and accessories, par-

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China Remains On Top Despite Pressures

BY JOHN CRENSHAW
AND DOUG MCCLELLAN

SHENZHEN, China—It's far too early to write China's obituary as bicycle factory to the world. Yes, Chinese manufacturers are grappling with a now familiar litany of profit-squeezing challenges including higher labor costs, higher government taxes and a currency that keeps getting

stronger against the dollar.

Still, China remains head and shoulders above all other countries when it comes to making complete bicycles, frames, and other parts and accessories, according to our annual review of global export and import statistics.

Perhaps inevitably, China's pricing pressures are causing some production to shift to other Asian countries, such as Taiwan (no surprise) and Thailand (more of a surprise). Vietnam, which the European Union also slapped with

anti-dumping duties, has almost been erased from the bicycle map.

Here are the key leaders and laggards in the global bicycle industry, both for bicycle manufacturing and for bicycle sales. Pull out your world atlas and follow along.

China. Bicycle exports rose 5.7 percent in 2007 to 59 million units, with half of those exports children's bicycles (wheels under 22 inches).

The United States remains China's

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Study Suggests Top Tier Brands Losing Share

BY NICOLE FORMOSA

COSTA MESA, CA—The weight of the 10 biggest brands in the U.S. specialty bicycle market continued to slip in 2007 as the number of smaller, niche brands grew and gained strength, according to research released by the National Bicycle Dealers Association.

The U.S. Bicycle Market Overview for 2007 shows the top 10 brands accounted for 2.28 million units at the retail level in 2007, or 73.7 percent of the specialty market share, while the rest of the brands equaled 26.3 percent of the market, or 814,859 units. The breakdown was 75/25 in 2006.

The numbers continue to stray from the 80/20 split, which was the norm until 2001 when specialty retailers began focusing on owning niches like custom,

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top market. Last year, U.S. importers brought in 17.3 million Chinese-made bikes—96 percent of total bicycle imports in 2007. In other words, 24 of every 25 bicycles sold in the United States are made in China.

Japan is also heavily dependent on China, with 97 percent of its imported bicycles, or 9.3 million units, coming from China.

Europe continues to do a significant volume of business with China despite regular and anti-dumping duties that add 63.5 percent to the cost of a Chi-

na-made bicycle. Because frames and other parts are not subject to anti-dumping duties, many manufacturers import the pieces to plants in the European Union for assembly.

China produced more than 13.7 million frames for bicycle assemblers in the 27 nations of the European Union, or 88 percent of the E.U.'s total imports and therefore nearly that percentage of its total bicycle production. Despite high duties, the European Union imported 786,476 bicycles from China.

The world's largest bicycle producer remains the world's biggest bicycle market, even as China's surging middle class rushes to buy status-conscious automobiles. Domestic sales in 2007 totaled 28 million, a decline of 3.8 percent from 2006.

Electric bike sales reached 21 million units, a 10 percent uptick from the previous year but below the heady growth rates of recent years as a shake-out forced hundreds of e-bike factories to close. China exported about 350,000 e-bikes, according to the China Bicycle Association.

Taiwan. As reported previously, Taiwan has roared back in the middle- to high-end segment of the market. Unit exports climbed to 4.75 million units last year, a level not reached since 2001. More importantly, the Taiwan industry has made continued strides with its focus on quality over quantity. The average sales price of a made-in-Taiwan bike reached a record \$222 last year.

The United Kingdom is Taiwan's single biggest export market, taking

China's Bicycle and E-bicycle Market in 2007

	Bicycle (units in million)	Compared to 2006	E-bicycle (units in million)	Compared to 2006
Total production	87	2.5%	21	9.7%
Exported units	59	5.7%	0.35	
Sold domestically	28	-3.8%	20	7.9%

* 1. The number of exported bicycles with wheel diameters under 22 inches in 2007 is approximately 30 million, accounting for 50.8% of the total number of bicycles exported.

2. The unit of numbers collected is in millions and decimals are neglected.

nearly 933,000 units, or nearly one-fifth of Taiwan's total export production.

Based on total value, however, the United States remains Taiwan's most important market. U.S. suppliers imported \$231 million in Taiwan-made bikes last year—596,000 units with an average price of \$388.

Japan. Japan's bicycle factories, like those in the United States, have collapsed under the weight of Chinese imports. The Japan Bicycle Promotion Institute reported that 2007 domestic production was 1.14 million units, down 15 percent from 2006 and barely half what it was five years earlier. Of the 9.6 million bikes Japan imported, 9.3 million came from China.

Thailand. Led by Bangkok Cycle, Thailand is starting to boom. Thai bicycle exports to the European Union reached nearly 1.5 million units in 2007, more than doubling in one year and rising some four-and-a-half times within five years. The value of Thai-made bikes was 110 million euros (\$160.5 million at Dec. 31 exchange rates), with average price reaching 74.12 euros (\$108.22)

The United Kingdom, which once was Vietnam's biggest European customer, is now Thailand's biggest market, taking 892,000 Thai-made units in 2007.

Other Southeast Asia. Vietnam reported exporting only 29,000 units to the European Union last year compared to its 2004 peak of 1.85 million.

Suppliers in other Southeast Asia countries have had modest success in taking advantage of anti-dumping duties levied on Vietnam and China.

The Philippines, for example, exported 8 percent more bikes to the European Union in 2007 to 647,000. But that only brought the country back to where it had been in 2005.

Cambodia, where some Vietnam factories moved after the anti-dumping duties were imposed, has increased

production to 431,000 units after starting from zero in 2005.

Malaysia's E.U.-bound exports jumped from 11,000 units in 2004 to 496,000 in 2006 and 402,000 last year. At least one Chinese bike manufacturer, Peerless, is starting a factory in Malaysia this year and is tantalizing E.U. suppliers with promised savings over imports from duty-laden China.

Bangladesh shipped 355,000 bikes to Europe last year, on par with previous years.

Chinese manufacturers are grappling with a now familiar litany of profit-squeezing challenges including higher labor costs, higher government taxes and a currency that keeps getting stronger against the dollar.

Eastern Europe. The countries of Eastern Europe have become increasingly significant for the European Union's bicycle industry.

Poland retains its long-established lead over other eastern European producers and remains among the top 10 suppliers to other E.U. nations. According to Eurostat, Poland exported about 785,000 units to other E.U. countries last year at an average sale price of \$130.

The E.U. imported slightly more than 302,000 bikes from Lithuania, valued at a respectable average of \$144.

Bulgaria's fledgling industry is the newest member of the E.U. trade group COLIBI. Bulgarian factories produced around 450,000 bikes last year, exporting about 350,000 of them. Bulgarian industry leaders predict a 40 percent increase in production this year, with a

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Taiwan's Bicycle Exports 1997-2007

	No. Units	Value (U.S. \$)
1997	8,955,424	\$873 million
1998	9,388,311	\$897 million
1999	7,782,869	\$760 million
2000	7,534,350	\$821 million
2001	4,796,148	\$536 million
2002	4,219,038	\$524 million
2003	3,882,835	\$583 million
2004	4,348,037	\$721 million
2005	4,594,991	\$919 million
2006	4,083,637	\$840 million
2007	4,751,967	\$1,054 million

Sources: Taiwan Bicycle Exporters' Association, Taiwan Bureau of Foreign Trade

Taiwan Exports of Complete Bicycles in 2007

	Units	Value/\$1,000	\$/ASP
United Kingdom	932,748	130,609	\$140.03
United States	596,305	231,459	\$388.16
Germany	491,716	95,075	\$193.35
Netherlands	396,442	108,711	\$274.22
Belgium	323,082	60,719	\$187.94
Sweden	295,221	29,078	\$98.50
Japan	206,661	49,900	\$241.46
Denmark	151,409	23,812	\$157.27
Spain	146,314	27,505	\$187.99
Australia	131,997	48,660	\$368.65
All Others	923,096	248,992	\$269.74
2007 Total	4,751,967	1,054,521	\$221.91
2006 Total	4,083,637	839,436	\$205.56
2005 Total	4,594,991	918,720	\$199.94
2004 Total	4,348,037	720,746	\$165.76

Sources: Taiwan Bureau of Foreign Trade, Taiwan Bicycle Exporters' Association
Dollar amounts based on average exchange rate for each year

Top Sources of E.U. 27 Bicycle Imports

(Unit figures in millions; by 2007 ranking)

Country	2003	2004	2005	2006	2007	% Change 06-'07
Taiwan	2.116	2.403	2.899	2.798	3.092	10%
Thailand	0.326	0.451	0.696	0.692	1.483	114%
Italy	1.553	1.549	1.398	1.515	1.264	-17%
Netherlands	0.449	0.439	0.566	0.745	0.873	17%
China	2.069	2.352	1.449	0.809	0.786	-3%
France	0.420	0.582	0.723	0.956	0.860	-10%
Poland	0.766	0.850	0.943	0.714	0.785	10%
Philippines	0.624	0.542	0.647	0.599	0.647	8%
Total, Extra E.U.	7.862	9.161	8.874	8.350	9.474	13%
Total, Intra E.U.	6.022	6.667	7.653	7.299	7.211	-1%
Total, All Sources	13.884	15.828	16.526	15.649	16.685	7%

Source: Eurostat

corresponding jump in exports.

The Czech Republic exported 216,000 bikes to other E.U. countries at a high average price of \$280.

Hungary nearly matched that with an average price of \$271 for the 187,000 bikes exported throughout Europe.

Romania's bicycle exports have gone from zero to nearly 100,000 units within five years. Average price was \$132.

Germany. Independent bike retailers in Germany gained ground both in market and revenue share last year, according to the German trade association Zweirad. The specialty channel sold 59 percent of all units, up from 56 percent on 2006, and reaped 77 percent of the revenue, the association reported. Germans bought 4.58 million new bicycles last year, a 4 percent increase over a relatively slow 2006.

Average retail sale prices, boosted in part by an increase in the value-added tax, hit 368 euros (\$537) and generated revenues totaling nearly 1.69 billion euros (\$2.46 billion).

Domestic manufacturing fell by 90,000 bicycles to 2.4 million units. German manufacturer-assemblers nonetheless supplied about 40 percent of the bicycles sold within the country and exported about 574,000 units, a 19 percent increase that came on top of a 27 percent increase in 2006.

Imports rose by 300,000 units to 2.76 million bikes, led by Taiwan (425,000 units), Poland (348,000) and Thailand (311,000).

E-bike sales nearly tripled to 65,000 units, and Zweirad predicts continued rapid growth in that high-priced segment.

Trekking bikes retained their hold on Germans' hearts, accounting for a third

of all unit sales, followed by city bikes at 23 percent, and mountain bikes at 12 percent.

France. French bicycle sales were flat last year at 3.53 million units, barely unchanged from a disappointing 2006 and short of 2005's 3.7 million, according to the annual report from the French industry association Tous à Velo. Revenue from the overall market was up 5.5 percent to 1.43 billion euros (\$2.1 billion).

French manufacturing continued on its downward trend.

Tous à Velo pegged domestic production at 1.66 million units in 2005, 1.29 million in 2006, and 1.13 million in '07. French builders exported about 226,000 units, on par with 2006, but barely more than half the 446,000 of 2005. The other 80 percent of their product, nearly 900,000 units, went into the French market. Import numbers were down from 2.46 million in 2005 and 2.19 million in 2006 to 1.83 million last year.

Mountain bikes sales, at 1.7 million units, slipped by 5 percent. Although mountain bikes continued to dominate the French market, 2007 was the first time in years that the category did not account for more than half of total sales. Road bike sales increased 8 percent to 200,000 units, while sales of e-bikes nearly doubled to 10,000 units and are expected to keep climbing.

Italy. Italian production was virtually unchanged in 2007 at 2.52 million bikes, according to the trade group ANCMA. Nearly 1.3 million were children's bikes, however. The domestic market remained stable at about 2 million units. **BRAIN**

E.U. 27 Frame Imports*

Source Country: China

	2003	2004	2005	2006	2007
Italy	2.287	2.895	3.039	3.125	3.378
Germany	3.240	2.985	2.961	2.923	3.047
Netherlands	1.132	1.124	.955	1.186	1.180
Poland	NA	1.174	.935	.980	1.015
Spain	.702	.935	1.130	.911	.944
E.U. 27	11.935	13.733	13.163	12.838	13.698

Source Country: Taiwan

	2003	2004	2005	2006	2007
Italy	.039	.068	.092	.083	.060
Germany	.141	.143	.193	.187	.257
Netherlands	.342	.237	.251	.189	.270
Poland	NA	.019	.013	.021	.010
Spain	.026	.052	.043	.048	.063
E.U. 27	1.260	1.161	1.244	1.038	.924
All Non-E.U. Sources	14.417	16.257	15.429	15.077	15.636

*Number of pieces in millions. Source: Eurostat

World Players In The Bicycle Market (Figures In Million Units)

Production

Country	2000	2001	2002	2003	2004	2005	2006	2007
China	52.2	51.2	63	73	73	80.73	84.9	87.0
Taiwan	8.0	5.0	4.4	4.3	4.4	4.7	4.3	4.9
United States	0.88	0.91	0.41	0.35	0.335	0.191	0.26	0.26
Japan	4.7	4.18	3.08	2.52	2.45	1.93	1.33	1.14
Italy	3.2	2.65	2.35	2.55	2.6	2.4	2.42	2.52
Germany	3.3	2.99	3.05	3.19	2.92	2.71	2.49	2.40
France	1.9	1.6	1.42	1.49	1.73	1.66	1.29	1.13

Imports

Country	2000	2001	2002	2003	2004	2005	2006	2007
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Taiwan	N/A	N/A	0.07	0.29	0.62	0.68	0.50	0.57
United States	20.3	16.40	19.30	18.20	14.05	19.60	18.06	18.12
Japan	6.2	7.09	8.33	8.70	9.14	9.14	9.34	9.60
European Union*	9.41	8.52	10.20	12.27	14.05	15.65	14.86	15.81
Italy	0.22	0.45	0.45	0.47	0.62	0.82	0.77	0.83
Germany	2.3	1.80	2.00	1.62	2.45	2.55	2.44	2.76
France	1.4	1.10	1.45	0.16	2.30	2.50	2.20	1.80

Exports

Country	2000	2001	2002	2003	2004	2005	2006	2007
China	32.80	34.94	46.09	50.84	51.75	52.37	56.0	59.23
Taiwan	7.53	4.80	4.20	3.88	4.35	4.59	4.10	4.75
United States	0.18	0.19	0.16	0.13	0.16	0.19	0.10	0.15
Japan**	0.56	0.56	0.65	0.87	1.01	1.22	1.34	2.09
European Union*	3.90	3.63	4.32	5.19	5.70	6.10	6.35	6.10
Italy	1.75	1.41	1.42	1.59	1.55	1.34	1.25	1.32
Germany	0.25	0.23	0.26	0.51	0.56	0.44	0.48	0.57
France	0.33	0.30	0.37	0.53	0.72	0.88	0.87	0.80

*E.U. 15 only: Import/export figures include shipments to and from E.U. members and non-members.

**Japanese export figures include indeterminate numbers of discarded bikes impounded, then exported to third-world countries as charity.

Sources: ANCMA, Bicycle Retailer and Industry News, Bike Europe, Cycle Press, China Bicycle Association, China Light Industry Information Center, China Ministry of Commerce, European Bicycle Manufacturers Association, Eurostat, Japan Bicycle Promotion Institute, Shimano, Taiwan Bicycle Exporters Association, Tous a Velo, Wheel Giant