



Taipei Cycle Show

Live Daily Coverage From
Nangang Exhibition Hall

Heard On The Floor

Dahon By Any Other Name.

No one knows when or where lightning will strike, but a 2008 recall of some defective handlebar posts on its ubiquitous folders sent a bolt of inspiration into Dahon management. A quick drop-in to check out the Dahon line had led to a rambling conversation about all things Dahon. And then Steve Boyd, director of U.S. operations, casually mentioned that the company had changed its corporate name. Huh? Henceforth, Dahon is known as Dahon North America or DNA for short. Clever, isn't it. So what prompted that? Boyd was asked. Seems when the company issued its recall, a couple of consumers—let's think of them as retired and living in Florida—called the Southern California company to inform them that they lived no where near the Golden State and weren't about to drive there to get their bikes fixed. Dahon's 30-year-old corporate name had been Dahon of California and they thought...well, you get it. So now with the name change consumers can get their DNA altered anywhere.

A Tip of the Hat. Steve Cuomo has been a roving fixture in the industry for years. And he's currently handling PR for any number of brands, including Dahon. So while chatting with Steve Boyd, Mr. C popped in to join the gabfest. He was stoked and he was

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Bicycle Retailer

Issue Three

AND INDUSTRY NEWS

March 19, 2010

Yang Presses for Labor Overhaul



Photos by Nicole Formosa

TBEA head and Kenda president Ying-Ming Yang talks about labor shortages in China at yesterday's A-Team meeting.

Taiwanese manufacturers predict that China's "one child" policy among other issues is driving Chinese labor rates higher, forcing factory managers there to develop new strategies to meet labor demands.

Ying-Ming Yang, chairman of the Taiwan Bicycle Exporters' Association and president of Kenda, told members of Taiwan's A-Team Thursday that labor costs are on the rise. "There's no doubt about it," he said.

Several factors are driving pay hikes, and among them is a new generation of workers—many raised as a single child—who want jobs near home and who expect to enjoy a greater share in the country's economic growth. Workers are also more reluctant to travel thousands of miles to work at a low-wage factory job in coastal cities where the cost of living is high.

While the one-child policy has been in effect for decades, the global recession brought labor issues to a head. There is also new interest on the part of the Chinese government to improve business conditions in its interior provinces, in part to keep men at home with their families. As a result, the Chinese are build-

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Merida to Expand Taiwan Factory

Merida, Taiwan's No. 2 bike manufacturer and primary supplier to Specialized, will invest \$3 million to expand capacity at its Changhua factory, Merida president Michael Tseng said on Thursday.

The company will build three additional levels by the end of 2010. The expansion will boost production capacity by 15 percent, Tseng said, following the annual A-team meeting of 22 Taiwanese manufacturers.

Merida also runs two factories in China, but aims to shift

more middle to high-end production back to Taiwan due to rising wages in China combined with a labor shortage and environmental issues.

"We feel we can control all the production much better than in China," Tseng said.

Merida finished 2009 down 6 percent in Taiwan, with revenue of about NT\$11.5 billion.

The company started 2010 on a positive note with sales up 26

percent in January, but revenue in February fell 25 percent.

As of the end of February, sales were off 5.43 percent compared to the same period last year.

But, Tseng said 2011 orders are stronger than 2010.

He's hopeful that business will

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Merida president Michael Tseng





Answer BMX Lives Again Under New Owners

Since Ryan Birk took over the flagging Answer BMX brand last May, he's had many of what he calls "pistol or bottle" moments.

But he hit a low point last Interbike when a former customer grabbed him as he walked on the Vegas strip and demanded money owed to him by the brand's former owner.

"It was like buying a house you think is great then ripping up the carpet and finding termites, rats, everything," Birk said.

Birk, 36, and his wife Natarsha have invested their time, money and sanity to rebuild the 16-year-old BMX brand, and are finally making headway. They debuted the brand with a booth here at Taipei Cycle through their Taiwan agent, Source Solutions, and are picking up new OE business.

Birk aims to sell 7,000 to 10,000 of Answer's signature carbon fiber forks.

"People are excited again about Answer," he said. But it's been a long, often frustrating road to get there.

Birk spent more than a decade working for Sun Rims.



Photo by Nicole Formosa

Ryan Birk

He left in late 2008 after new management at Hayes changed his position, which would have forced him to leave his native Indiana. At the time, Natarsha

ran Kuwahara in the U.S., but the Japanese brand pulled out of the U.S. market after the updated Consumer Product Safety Commission law passed, due to concern over costly testing.

At the same time, Answer was poised for major changes. In 2004, then-owner Manitou split up the Answer BMX and Moto divisions with Joey Licata taking ownership of Answer BMX under a licensing agreement. When Hayes bought Manitou a couple years later, it offered Licata a chance to buy the brand. But he missed the deadline due to financial troubles, and Luke Wilson, a BMX fan and Canadian oil industry worker, stepped in to buy the brand.

"He never wanted to be involved in the day-to-day operations. It was an investment," Birk said.

So Wilson called Birk, who was at one time sponsored by Answer, and offered him the job. Birk said yes, so long as he

could have 15 percent ownership in the company.

But with the ink barely dry on the deal, former U.S. distributors, Asian suppliers and consumers began calling looking for repayment of bad debt from Answer's time under Licata's management.

After \$125,000 in legal fees and months of negotiating with angry customers, Birk was able to use his industry relationships to broker new distribution deals and supplier agreements.

With product in place, he could finally start selling. Redline spec'd some parts on its 2010 line and despite some initial delivery problems, business has been picking up ever since.

He's working on marketing plans and new product and hopes to soon hire a couple employees. "After a long seven months of problems, hiccups and unforeseen disasters, we're looking pretty good," Birk said. —Nicole Formosa

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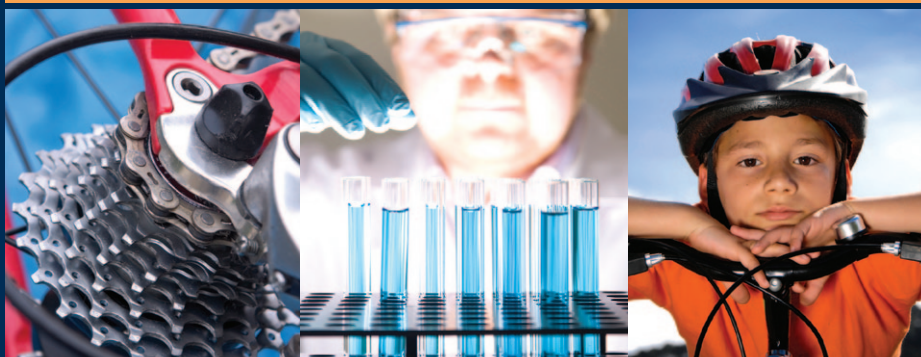
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Labor Overhaul...

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ing new infrastructure to attract factory investment.

But the Chinese government is also fostering labor-rate uncertainty, Yang said, by making decisions on minimum wage rates, benefits and pensions with little warning, surprising factory

well run, ethical manufacturers.

“We obey the labor and tax laws and that doesn’t seem to affect us too much,” he said. “But new laws and greater scrutiny will affect those who don’t play by the rules.”

Still, Chinese manufacturing is



Photo by Nicole Formosa

SRAM chief executive officer Stan Day addresses the state of the European bicycle market during the A-Team meeting.

management. Business hates uncertainty, he said. “I worry that the situation could get worse,” he added.

For example, one province announced last week that minimum wages would go up 28 percent effective April 1. It later made the date retroactive to March 1.

Still, OE pricing has remained relatively steady and consumers have yet to feel any upward price pressure from Chinese goods. The question, Yang said, is how long can manufacturers absorb cost increases?

Kenda has moved some production back to Taiwan from its Chinese operation as the pay gap tightens between Taiwan and Chinese workers, Yang said. At its Chinese operations Kenda has bumped up salaries and now pays for food at the dormitories it operates to house workers.

Dr. David Hon, president of Dahon, said the current situation is “quite manageable” for

tightly tied to the bicycle industry and companies will need to respond quickly to remain competitive, Yang said. He urged A-Team members, many of whom also have factories in China, to improve their work environment, increase factory efficiency and build a strong brand image in China to better penetrate the local market.

SRAM’s Stan Day, however, said Taiwanese companies should remain focused on their operations in Taiwan. SRAM, like other companies, has invested heavily over the years in Taiwan manufacturing. China’s low-cost labor can be offset by more efficient factory production, better training and pay which leads to lower staff turnover.

And no matter how the Taiwanese manage their Chinese factories, everyone faces the risk posed by currency re-evaluations. “Currency will go up and it will be a surprise,” Day said. —Marc Sani

Heard . . .

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going to tell us why. The April issue of *Men’s Health* had just hit the newsstand and Dahon’s Ios XL had gotten some very positive ink in the magazine. As the folks who pedal PR would say, “You can’t pay for that kind of editorial.” (Well you can; it’s called bribery and, frankly it’s frowned upon.) Nonetheless, Steve was eager to show off his editorial coup ‘cause buying an ad in *Men’s Health* requires knowledge of hedge funds and CDOs. But I digress. A quick walk over to one of his other clients, where he had stashed the issue, prompted him to pull out his editorial “gotcha” binder. Not bad: Most of the bike mags were in there along with titles that included *MacWorld*, *Popular Science*, *Popular Mechanics* and other assorted print flavors. Nice work, Steve.

Pressing Flesh in the Press Room. It took a couple of text messages between a BRAIN reporter and Steve Gluckman,

REI’s Novara brand manager, to set up a meeting at the fifth floor Press Center in Nangang Exhibition Hall. No particular issue spurred the meeting, just a chance to catch up and chat about the industry, sales, the future—you know, the regular stuff. Soon, in walked Markus Fritsch, Germany’s expert on all issues affecting suppliers and retailers. Markus and his partner run a well-received Web site that folks in Germany actually pay to read everyday. (Now there’s a novel concept—paying for news.) At any rate, introductions were made: Steve this is Markus; Markus this is Steve. Once the formalities were over, Markus asked if REI still had a consumer-friendly policy on returns. Seems Markus had bought a pair of pants some time ago at an REI while on a visit to the U.S. and could he still return them? They just didn’t fit properly. Without batting an eye, Gluckman said bring ‘em in.

Merida to Expand...

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turn around, particularly based on reports from Specialized and SRAM.

Stan Day, chief executive officer of SRAM, fresh off a trip to visit European dealers, said optimism there is strong and he left with a sense that dealers have become more professional.

He said that sales are trending away from the mass market toward specialty dealers, all of which bodes well for the industry.

But, he said the biggest wild card would be spring weather.

“It’s not the economy. It’s really going to be if we can get some sunshine because I really

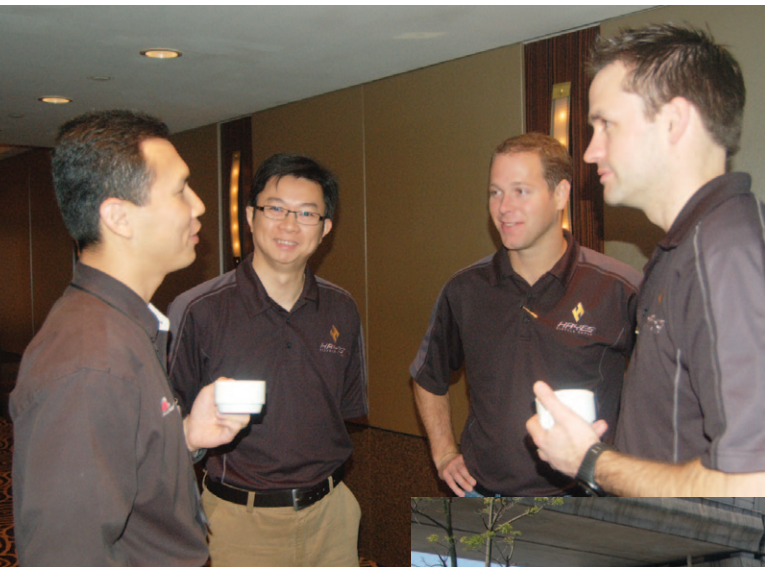
think consumers in the U.S. and Europe are in a different place than they were at the start of the season,” Day said, speaking at Thursday’s A-team meeting.

SRAM is up 40 percent for the quarter ending in March, but because SRAM does 80 percent of its business with OEMs, the numbers are not so impressive since performance was so poor during the same quarter in 2009, Day said.

That increase puts SRAM about even with where it was at the same point in 2008, he added. “I consider that to be a good accomplishment at this point,” Day said. —Nicole Formosa



Shots From the Second Day



Welcome to the A-Team: Jagwire's Jerry Huang (left) chats with Hayes' GM Kendrew Sua, director of business development Sean McNally and VP Darren Campbell. Hayes and JD Components joined the A-Team in 2009.

Rockin' Out: A live band played atop the Taipei 101 tower where Kind Shock hosted a traditional Taiwanese meal featuring South African abalone and boiled shark fin soup.



Photos by Nicole Formosa

Lobster Stare Down: Eating in Taiwan can be such a treat. Sometimes your food even stares back at you, like this lobster.



Ramp It Up: BMX riders put on a show outside the Nangang Exhibition Hall.



Industry Powwow: A group from Bikes Belong, TBEA and the BPSA gather for an advocacy and sustainability meeting.

Taipei Cycle Show

Bicycle Retailer
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