

Bicycle Retailer

AND INDUSTRY NEWS

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Heard on the Street



The Airbag Backpack before ...



... and after.

A bag for all seasons: Innovation is in the eye of the beholder, but this is an idea that ... well, you be the judge. The Airbag Backpack is either for injury-prone mountain bikers or those lacking common sense. The developers say it inflates in one second upon impact, protecting the neck, chest and waist. And yes, there's a manual cord to yank if you happen to tank in a deep and swift-flowing mountain stream. Yes, it doubles as a life vest. The backpack, developed by Bitex Sports Product of Shenzhen, China, was one of 184 entries for the Taipei Cycle D&I Awards. Think of it as an addition to the airbag helmet from Sweden, the Hövding. The Swedes essentially wrap a deflated airbag around your neck that swallows your head in billowy comfort upon impact. Could both of these, worn in tandem, best the snow sports industry's avalanche savior, Black Diamond's Avalung?

A Whale of a bag: Another winner—and this one has sales potential—is the LED "Whale" seat bag. It's cute and would be a sure winner among kids and those who collect all things cetacean. It looks whale-like and the two LED lights flash, giving it some personality. It has a T-shaped quick release and uses waterproof nylon. No whale blubber required. Yu Fong Company Ltd. designed and manufactures the sea-going bag.



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Taiwan exporters look to emerging markets for growth



Walter Yeh, executive vice president of the Taiwan External Trade Development Council (TAITRA), provides the latest Taiwan export figures during a pre-show press conference Tuesday afternoon.

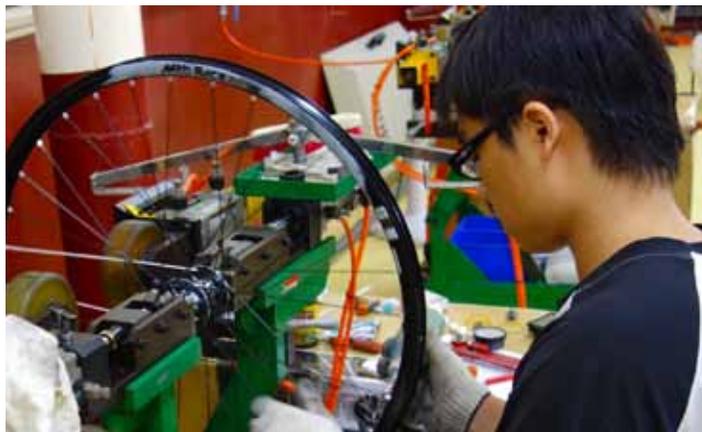
Last year was a tough one for Taiwan exporters as they continued to see bike shipments to Europe—its biggest market, representing 58 percent of export volume and 45 percent of export value—decline. But strong business in North America and Asia helped mitigate some of that loss. And export values continue to rise.

Walter Yeh, executive director of the Taiwan External Trade Development Council (TAITRA), said exports of complete bikes rose 8 percent in value to top \$1.8 billion last year. The average per-unit value increased nearly 10 percent to \$417 from 2011's \$379.

Yeh, who presented the latest export numbers to a room full of journalists on the eve of Taipei Cycle's 26th show, said the export value of parts and accessories also jumped 18 percent

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AMERICAN CLASSIC: GETTING THE FLOW RIGHT



Workers at truing stands build up to 50 wheels a day each. All of American Classic's wheels are hand finished.

It's all about the flow at American Classic's new factory in Taichung, the company's third successive facility in Taiwan.

The Florida-based company moved into the 35,000-square-foot facility in late January, and company founder Bill Shook designed a work flow around the space—about the size of a Wal-Mart—that starts at the loading dock and proceeds counterclockwise.

American Classic has been in business for more than 30 years and began Taiwanese

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KINDSHOCK: It's David vs. Goliath in the dropper seatpost market

When Joe Breeze began selling his now iconic Hite Rite in 1985 for \$15, it was among the first commercial attempts to drop a saddle's height quickly on tricky descents.

The industry has come a long way since Breeze and "the spring" jump-started the accessory market for mountain bikes. Today, the competition to lower saddle height and to stuff dropper posts into mountain-bike seat tubes is fierce.

Yet a small Taiwanese-owned manufacturer, KindShock—which sells its hydraulically locked and air-sprung dropper post, the LEV, for \$399—has successfully taken on some of the industry's biggest names.

The LEV is currently the most expensive dropper post on the market, and KindShock's

owner, Martin Hsu, is competing for sales with SRAM's RockShox Reverb, Crankbrothers' Kronolog, X-Fusion's Hilo, Fox Racing Shox' D.O.S.S. Dropper, Specialized's Command Post Blacklite and a new entry from L.H. Thompson—the Elite Gravity Dropper, a Polson, Montana, manufacturer, also has a strong following.

Despite the competition, KS made gains in OE sales this year with Cannondale, Pivot, Ibis and other boutique brands spec'ing the post. And OE spec for 2014 has momentum.

Last year Hsu spent \$2 million upgrading his Tainan factory and is hiring more personnel to boost production. "If you didn't know you were at KindShock's factory, you'd think you were at a microprocessor facility," said Rick Taylor, direc-



KindShock owner Martin Hsu

tor of U.S. sales and operations.

"Assembly rooms are temperature and humidity controlled, and we use a clean room for assembling all parts using oil. There are air exchangers. Staff has to wear clean suits; everything is hand assembled and machine tested to tolerance," added Taylor.

The LEV, for example, has more than 100 parts ranging from a tiny rubber seal atop the air-sprung cartridge to intricately CNC'd tubes that contain the operating mechanism.

The defect rate is less than 2 percent. "It's very low. Instead of spending money fixing a problem or on marketing, Martin has spent his capital on long-term, high-quality production," Taylor said.

Several brands have asked whether KS would consider OE work, but Hsu has turned down offers to focus on building a global image for KS.

"I know I'm going to sound biased, but I think at this moment we're the market leader in the aftermarket. But it's hard to say," Taylor admits.

Still, OE sales are tough. SRAM, which offers suppliers a complete mountain bike group including its dropper post, has a natural negotiating advantage.

KS, on the other hand, lacks scale when competing with SRAM and house brands like Specialized. Nonetheless, Hsu's focus on high production values and innovative engineering has captured sales at the higher end of the price matrix.

KS has three distributors in the U.S.—QBP, BTI and Southern California's KHS. And, at the moment, the company faces a backlog of orders. "If you have to have a problem, then that may be a good problem to have. But it's still a problem," Taylor said.

KS has a factory in Shenzhen that makes low-end products including rear shocks for mass-market brands for Pacific, Dynacraft and others as well as for European distribution.

KS also has a price-point ergonomic brand called Exaform. It supplies comfort saddles, handlebars and stems that can adjust height on the fly.

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Rick Taylor, director of U.S. sales & operations



At \$399, the LEV is the most expensive adjustable-height seatpost on the market.

More important for a small company with limited marketing muscle, consumer magazine reviews of the LEV have been uniformly positive if not glowing. Here's a snippet from *Mountain Bike Action's* five-star rating from Jimmy Mac:

"The almost \$400 price tag makes the LEV the most expensive dropper post we have tested. Shouldn't that knock a star off? No. This is what it costs to deliver a dropper post that works as promised. You can find cheaper posts, but none of them operate as smoothly and as trouble-free as the LEV. You get what you pay for."



Taipei International Cycle Show 

TAIPEI CYCLE

MARCH 5-8, 2014

TWTC NANGANG Exhibition Hall
TWTC Exhibition Hall 1



Organizer:  TAITRA

Co-organizers:  TBCA  TVMA  TFC

Taipei Cycle d&I awards 

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Taiwan exporters

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last year to \$925 million.

Combined, exports of bikes and parts totaled \$2.7 billion in 2012, up 11 percent from 2011, and Yeh forecasted exports would top \$3 billion this year.

The rise in values is especially noteworthy since complete bike shipments last year remained mostly flat at 4.3 million.

While North America, Taiwan's second-largest market, had healthy gains last year, exporters continue to look at emerging markets such as China as offering the biggest potential for growth.

"China has 1.3 billion people, and since about three years ago it's developed into a recreational market," said Tony Lo, chairman of the Taiwan Bicycle Exporters' Association (TBEA) and CEO of Giant Manufacturing. "It represents new potential for the bike business. The Chinese market provides new momentum for global players."

In 2012, Taiwan exported 94,200 bikes valued at \$45.29 million into China, increases of 179 percent and 158 percent, respectively, over 2011. And the Chinese are demanding higher-end bikes, with the average unit price reaching \$480.

Other growing export markets for the island nation include Japan, which imported 304,000 bikes valued at \$118 million last year; Russia, which brought in 48,200 bikes valued at \$13 million; Brazil, with 24,800 bikes valued at \$12 million; and Malaysia, with 12,000 bikes valued at \$7 million.

But Taiwan aims to expand beyond its manufacturing strengths.



Taiwan Bicycle Exporters' Association chairman Tony Lo hands out Design & Innovation Awards following the pre-show press conference. In its second year, the D&I Awards recognized 44 products out of 184 submissions.

TBEA's Lo said a forum during the first day of the show will discuss efforts to turn Taiwan—which boasts more than 3,000 kilometers of cycling paths—into a cycling destination. Officials are also working to make it more eco-friendly with a growing network of orange and yellow rental bikes in the island's capital of Taipei.

More than 7,000 buyers are expected to walk the floors of Taipei Cycle. The bike show has grown every year since its launch in 1988, Yeh said.

This year, 1,100 exhibitors, about a quarter from overseas, are spread out over more than 600,000 square feet in the Nangang Exhibition Hall and the Taipei World Trade Center.

Yeh said he expected Taipei Cycle to generate \$300 million in business over the show's four days.

Gigantex at the ready for market rebound

In the midst of the sprawling manufacturing center of Taichung sits a little slice of the Mediterranean.

Wanting to instill a sense of company pride in its employees, carbon fiber manufacturer Gigantex Composite Technologies purchased a plot of land in the mid-2000s and started construction on a factory styled after a Spanish villa. Shortly after that facility came on line, Gigantex broke ground on a second factory a stone's throw away—this time a bright white Greek-style building, which opened in 2011.

Together, the twin factories cut an impressive figure among the nondescript, sometimes dingy industrial parks housing much of the industry in Taiwan.

Inside the 38,000-square-foot Spanish building, scores of dexterous hands lay up carbon fiber rims, cranks, bars, stems and seatposts for OE customers including SRAM, Mavic, Hed and Thomson. It also houses the company's central office and testing facility. All testing equipment was designed in-house.

Next door in the 54,000-square-foot Greek-style building, workers assemble wheels for Gigantex's Equinox house brand. During a visit in late 2012, banks of machinery on the ground floor had sat idle for weeks, testament to economic swoons in Europe, the market that accounts for about

95 percent of Gigantex's business.

"The plan for building the Factory No. 2 was to triple capacity, and it is now just as planned. But what we are facing is that the market has dropped by 20 percent while our capacity has increased threefold," said general manager Steve Lee. "To the bright side, we shall be more than ready when the market recovers back."

On the factory's second floor, machinery stood at the ready to weave the company's carbon sheets out of raw fibers purchased from such suppliers as Toray and Toho. Running the machine for five days produces a full month's worth of carbon fiber.

This not only gives Gigantex tight control over its supply chain, Lee said, but saves the company 20 to 30 percent over buying material from a third party—and helps protect trade secrets.

Gigantex also can control the resin content in its carbon and fine-tune the quality and lightness. For instance, for some rims it produces material weighing 240 grams per meter, compared with 400 grams from many outside suppliers, Lee noted.

OE sales account for 90 to 95 percent of Gigantex's business, he said. About half that is wheels, with bars at 30 percent and cranks



Gigantex opened its Greek-style second factory in 2011, tripling the company's capacity.

about 20 percent, plus a smattering of stems and seatposts.

For its own Equinox road wheel line, Gigantex introduced a monocoque spoke system in 2010 to build a three-piece aero wheel: rim, spoke system and hub. And now the company's engineers are at work on developing a one-piece carbon wheel, said Lee, adding that a full line of Equinox carbon and stainless-spoke wheels will be on display at Taipei Cycle.

The Equinox line, sold into Europe through a joint venture in the Czech Republic, also includes mountain wheelsets, road cranksets and handlebars for road, tri and mountain.



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line.



Velo hosted several hundred industry suppliers at its annual party at the Grand Hyatt. The crowd was slightly thinner than in past years as revelers attended a bash held at the same time at a different venue for SR Suntour's 25th anniversary. But the party didn't disappoint, with two Taiwanese dance crews and one cover band providing entertainment throughout the night.



Electra's Chris Holmes (left) and Mark Phippen celebrate with Velo's Stella Yu.



A group of dancers kicks off the festivities at Tuesday night's Velo party.



One of three entertainment acts at the Velo party, this quartet of performers drew attention with their colorful costumes.



Time for a toast: The entire crew from Velo, Wellgo, Xpedo and Prologo takes the stage to thank attendees for their support.



Cover band Element rallied the crowd with pop and disco hits.



Wellgo's John and Shirley Chen



Stefan Reisinger, Eurobike's show director, made it to the Velo party after a long flight from Germany.



How many bicycle designers hail from Turku, Finland? Joakim Uimonen, chief product designer for Tern, spent several years working in Taiwan before he made the move back to his homeland.



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Heard on the Street

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A pool for all seasons: Film buffs tend to follow film trivia, but just in case anyone in our industry missed it, *Life of Pi*, an awesome fantasy-adventure-life-is-a-mystery movie, was mostly filmed in Taiwan. Ang Lee, who won an Oscar for directing the film, is akin to a hero on this island nation. Lee spent \$5 million to build a wave pool, reportedly the largest in the world (75 meters by 39 meters and 3 meters deep), powered by 12 wave-making machines bought in the U.S. The pool, built at Taichung's old Shueinan Airport, is where most ocean scenes were filmed. Other water scenes were shot in the southern part of the island. But no good deed goes unrewarded. After donating the pool to Taichung's city government, which wants to turn the old airport into a site for future filmmaking, local naysayers immediately decried what they called a waste of money. And then they bitched about the fact no obvious scenes were shot that would identify the city or the island. Read the book; see the movie.

Taichung Bike Week in transition?

Keep an eye on the future of TBW. Seems like Taichung's city government wants to "formalize" the annual event. Local chatter has it that the city wants to put participating companies under one roof, which would end one of the more eclectic, loosely organized and mostly stress-free industry events. One longtime participant put it this way: "It should be organized by bicycle people. But it's just become too political." More later.

Party night gets split: Velo's annual pre-Taipei Cycle party at the Grand Hyatt took an attendance hit when Suntour scheduled its 25th-anniversary party at The Grand, another major hotel in Taipei. While the Velo bash was well attended, many suppliers and others took the long taxi drive out to The Grand to honor Suntour. Stella Yu, Velo's founder and president, took the split in stride. There just aren't enough nights in the show calendar for everyone to host a major event. The Suntour party was said to have hosted some 1,000 partygoers.

American Classic

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production in the mid-1990s. Shook concedes the company's first factory in Taiwan had a "helter skelter" layout. The second had better flow. But after just three years, the steadily growing company had outgrown the 11,000-square-foot space.

AC builds all its wheels at the facility, and also rolls, sleeves and drills most of its rims, cold forges hub spoke holes, assembles hubs, and packages and ships from there. It brings in some pre-made rims from Taiwan vendors, as well as rim extrusions, hub shells and other parts. But Shook and partner Ellen Kast emphasized that every part from outside vendors is inspected carefully before being assembled.

That was on display right from the loading dock as we set off on our clockwise-flowing tour of the factory. The first work station was quality control, where on Tuesday three women were removing black anodized rims from packaging and visually inspecting and cleaning them before carefully stacking them for later wheelbuilding.

From the QC inspection area we flowed into what Shook called the factory's "tunnels," which, contrary to the term's dark- and dank-sounding connotation, are actually the well-lit and air-conditioned work areas the company built like a rim surrounding the high-ceilinged central warehouse area. The tunnels contain the hub assembly, wheelbuilding, testing and rim rolling areas.

Inside the tunnels, the company's young-looking workers listen to radios (a station that regularly plays *The Carpenters* is a favorite) while putting together the company's products. The only area where the radio is drowned out is the testing room, where two testing machines put wheels through rigors, rolling weighted wheels over bumpy rollers 24/7.

In the same room, a worker was setting up a massive tool to punch spoke holes into hub flanges. After the punching, the hubs go to an adjacent machine where the spoke holes are countersunk in a cold-forging process that Shook said is much stronger than drilling.

The company uses wheelbuilding machines to start the spoke tensioning process for some round-spoked wheels. A new Holland truing robot was recently installed—and then removed temporarily so that Holland can display it at the Taipei Cycle Show this week. While the machines save some labor time by starting the tensioning, all the company's wheels are finished by hand. On Tuesday, four workers were at the truing stands. Each can build up to 50 wheels a day, and they document each wheel they finish by name for quality control.

In the center of the warehouse, pallets of boxes containing wheels and other products are stacked. The factory's counterclockwise flow finishes back at the loading dock where it started.

Most of the pallets will be loaded into 40-foot containers for shipping to distributors. On Tuesday, one pile was bound for the Czech Republic, another for the U.K. and a third for Germany. OE wheels get shipped to China, Vietnam and elsewhere, while Taiwanese bike builders will often send their own trucks to pick up wheels.



Hub shells await further machining.



Inventory ready for shipping



In the testing room, weighted wheels are spun over bumpy rollers round the clock.

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