

Trends Balance Out as Industry Weathers Storm

BY MATT WIEBE

The recession hit consumer spending last year harder than anyone anticipated, especially car makers GM, Ford and Chrysler. But the big economic hit arrived in October, well after the bike season wound down, so the industry dodged the bullet.

The Bicycle Product Suppliers Association reported unit shipments up a modest 2 percent, a rate of growth matched by overall bicycle imports, which also were up 2 percent. That's not bad con-

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Researchers Say Cycling Sees 11 Percent Upswing

BY NICOLE FORMOSA

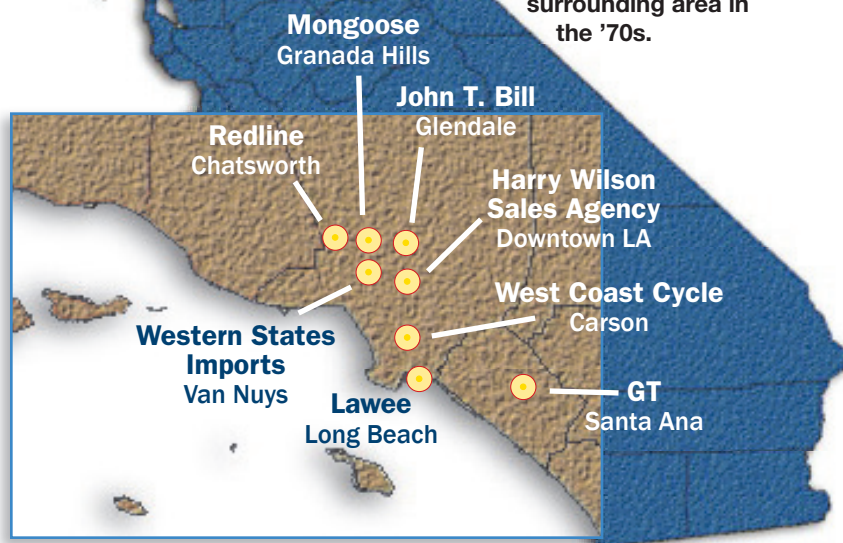
Bicycle riding rebounded to levels not seen since the late 1990s last year as more people in the United States turned to two wheels for recreation and transportation, according to research from the National Sporting Goods Association and the Outdoor Foundation.

According to the NSGA, 44.7 million people age 7 and older rode a bicycle more than six times last year—that's up from 40.1 million in 2007 and 35.6 million in 2006.

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Southern California Retrospective

A strong concentration of industry stalwarts set root in Los Angeles and the surrounding area in the '70s.



Region Attracted Industry Giants

BY JASON NORMAN

LAKE FOREST, CA—Soon the last vestiges of GT's Southern California heritage and existence will be gone, packed in boxes and headed for Bethel, Connecticut—headquarters of Dorel's Cycling Sports Group.

It won't be the first time a major brand has cut its Southern California ties. Former Southern California inhabitants have included distributors

like West Coast Cycle, Western States Imports, John T. Bill, Lawee, Riteway, Harry Wilson Sales Agency and bike manufacturers such as Mongoose, Powertlite, Redline and SE Racing. For more than 30 years—from the 1960s to the 1990s—Southern California was the industry's Mecca.

"Some of these distributors were located all within about six to eight blocks of downtown Los Angeles," said Howie

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Boutique Shops Feel Blow From Finance Sector

BY NICOLE FORMOSA

NEW YORK, NY—As the financial sector began to crumble last year, sales at Cadence Cycling & Multisport, a high-end retailer with fit, training and coaching services in lower Manhattan's trendy TriBeCa neighborhood, declined seemingly in lockstep.

Cadence owner Jay Snider brought in Cannondale bikes to round out his selection of pricier bikes from Cervélo and Wilier, but foot traffic plummeted as professionals in the finance industry lost their jobs.

"This March, business was half of what it was last March. That was not sustainable," Snider said.

In mid-May, Snider closed the nearly two-year-old store, choosing instead to focus on his Philadelphia location, which saw 20 percent growth in 2008.

Cadence certainly wasn't the only retail victim in the New York region. Running a cycling business in the epicenter of the country's financial industry proved too challenging for several retailers that relied on Wall Street's deep pockets to buoy their business.

3rd Nature, a boutique-style pro shop located in the affluent suburb of Teaneck, New Jersey, closed earlier this year after just over a year in business. Breaking Away Bicycles in Fairfield, Connecticut, and the Trek Bicycle Store of Brooklyn, also called it quits in the last six months.

"The economy tanked us," Joe Dweck, Trek Bicycle Store owner, told BRAIN

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Region Attracted...

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Cohen, whose parents founded West Coast Cycle, and who carried on the business' legacy. During the 1960s, West Coast Cycle introduced the Japanese bike brand Nishiki, and then in the 1970s Cycle Pro and Azuki.

Nick Andrade, who purchased a minority interest in West Coast Cycle in the late 1970s, said the Japanese influence on the early Southern California bike scene was strong.

"The Japanese were always wanting to understand more about the American bike culture," said Andrade, who currently works as sales and advocacy advisor for Pacific Cycle. "And West Coast Cycle was so in tune with what was going on in Japan."

This strong Japanese relationship led to West Coast Cycle's huge success in parts and accessories. "We were able to react so much quicker to the rapidly changing bicycle market," Andrade said.

SoCal's Aerospace Industry. Southern California was

ground zero for prominent players such as GT. From its "shop" days in Santa Ana in 1979 to its early days in Huntington Beach in the 1980s to its peak periods of American manufacturing back in Santa Ana in the 1990s to its last engineering chapter in Lake Forest this century, GT has always been linked to Southern California.

Many might argue its SoCal days flamed out long ago, perhaps with the 1996 death of co-founder Richard Long, or the brand's bankruptcy, or the various owners after Long and co-founder Gary Turner.

"We lost a lot of things," said Mark Peterman, director of product development for GT Bicycles, who started with the company in 1988 as an outside sales rep.

Peterman said Southern California was a hotbed for bike companies largely because of the strong presence of the aerospace industry, especially when aluminum was the material of choice for bike manufacturers.

"That's what made the higher-end bike thing happen," Peterman said, alluding to aluminum heat-treating and powdercoating. "We taught Taiwan to make high-end bikes."

BMX's Rise. Another big reason for Southern California's dominance was BMX. Cohen's "second coming" in the bicycle industry came after he sold West Coast Cycle to Andrade and a few other investors. Three years later, Cohen founded Everything Bicycles, where the focus was BMX.

"Everything Bicycles was the king of BMX those days," Cohen said with a sparkle in his voice.

Cohen recalled GT's Long phone call one day, asking him if he could get some anodized brakes. Cohen called up the Dia-Compe factory in Japan to see if he could get Long his custom order—and he did.

"That basically started the color fashion," Cohen said. "Gold, black, red, blue—you name it."

"I can't tell you why Southern California was the place to do business, but I can tell you that BMX racing was very big."

While many of its Southern California competitors got bought out or simply moved, Haro was able to survive and flourish thanks in large part to company founder and industry icon Bob Haro, founder of the freestyle BMX movement.

"Southern California accepts new ideas and activities with a more free and understandable thinking," Haro said on why the region embraced the sport. "There was also a certain dynamic going on with people being opportunistic, and at the right place, at the right time."

Haro, who founded the company in 1978, built upon the success of making and selling BMX number plates at races. "Dirtbikes had really cool plates," Haro recalled. "Us being the stylish guys we were, we wanted something cool, too."

Haro credits the brand's longevity to industry veterans like Jim Ford, who now works for Mirraco, and current Haro Bicycles president Joe Hawk.

Haro sold the company in 1992 and now owns two small companies: Haro Design, which does design and advertising work for major players in motorcycle and auto racing; and Axio, a maker of bags for motorcyclists, musicians and designers.

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Another industry giant that called the region home was Lawee headed by Ben Lawee who passed away in 2002. The distributor was responsible for one of the most recognizable names in mountain biking in the day—Univega.

“Univega was a pretty important brand at the time,” said Brian Cox, who served as Lawee’s credit manager from 1979 to 1987, and now is the vice president of operations for Jax Bicycles in Southern California.

Derby Cycle, parent company of Raleigh USA, bought Univega in the late 1990s. The brand is no longer marketed or sold in the United States.

But Cox said the region’s prominent role back in the day not only had to do with BMX. “We were close to all the major ports,” Cox said. “And it was easy to get to the Far East from here. And, of course, the weather supported it.”

Cox also worked at Riteway—a major distributor in the United States at the time. GT acquired Riteway in 1987. Riteway’s office was in Placentia.

“We were doing \$350 million in business in the U.S.,”

SoCal Still Fertile Ground for Some

While companies have come and gone from Southern California, one that has stayed and is surviving and thriving is Intense Cycles.

Intense has been manufacturing product at its Temecula headquarters since the mid-1990s.

“They’re going quickly, and we’re one of the last,” said Intense owner Jeff Steber about American-made product.

The company is on pace to produce 5,000 frames this year. “We’re running at capacity,” Steber said of his manufacturing facility. “We’re actually in a great position to have a great year.”

Steber said there are pros and cons to being based in Southern California. “You have access to year-round riding—that really helps,” Steber said. “You have a strong aerospace industry in L.A. and San Diego—that helps as far materials and talent are concerned.”

Yet Steber admits that year-round sunshine comes at a price. “All this stuff they do bogs you down,” Steber said of the many local government regulations. “It’s almost like they work against us.”

Hollywood Racks in Los Angeles is another stalwart in the SoCal cycling scene. Even though Hollywood sources its product from overseas, it shares one common denominator with Intense—consistent and strong ownership.

Neil Nussbaum took over the company from his father in 1991. “A lot of those [old Southern California] companies didn’t stay up with the times,” Nussbaum said. “They didn’t know how to use capital correctly.”

Nussbaum prefers being close to a large port for shipping, but said that it doesn’t matter where companies are located anymore. “It’s a global business now,” he said.

Still, Southern California isn’t for everyone, which is why even natives sometimes leave for greener pastures.

“It’s so difficult to have a business there,” said Joel Smith, owner of Tomac Bikes, based in Lincoln, Nebraska. “The costs are so high.”

Smith, former director of North American sales and brand management for Answer Products, had to make that location decision when he took over the Tomac brand in June 2007. It was a tough one since he was born and bred in Southern California.

“It’s just so cheap in Nebraska,” Smith said. “You can get an 1,800-square-foot place for \$1,400.” —Jason Norman

Cox recalled of Riteway. “It was a great time. There was such a history of great product and great things that came out of Southern California,” Cox added.

Eventually, many of the brands and distributors left or were bought.

“What happened to a lot of these companies is that the market changed,” Cohen said. “Distributors were no longer needed. Companies like Trek and Cannondale were selling direct to the dealer. Then you had distributors like J&B Importers and SBS who were national. It’s the evolution of business.”

GT’s legacy, like many of these old Southern California companies, is felt throughout the industry today as many former GT employees have landed in high-profile positions.

“It was really fun working there,” said Ed Hickey, who worked in high-ranking sales positions for the company from 1994 to 2001. He now serves as director of sales and marketing at Phat Cycles.

“There was an entrepreneurial spirit at that time in Southern California. It was success, not failure, that made these companies desirable to purchase.” **BRAIN**

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Year in Review

Trends...

Continued from page one

sidering the fourth quarter delivered a body blow to automakers, appliance manufacturers and homebuilders.

"The economy decelerated so quickly it killed the automotive industry yet the bike industry seems to be weathering the storm," said analyst Bill Fields, Fields Associates' president.

"Boutique brands were really hit hard, but the full-line suppliers less so. Still, I imagine we will be seeing further consolidation this year by some of the largest companies," he added.

The industry mantra that kept everyone smiling at the start of last season was the belief that a bad economy and high gas prices would drive consumers into shops in droves.

Indeed, environmental and economic concerns last year drove some positive trends:

- Consumers purchased bikes for utility purposes boosting sales of pavement bikes;
- Service, parts and accessories brought in shop dollars; and
- Distributor business grew on sales of replacement parts and accessories.

But last year's overall growth cannot mask the 13 percent drop in unit sales the BPSA reported in the last quarter of 2008.

Bike sales were up substantially going into June last year, but once gas dropped below the \$4 a gallon mark bike sales plummeted. And the economy, which tanked in the fourth quarter, accelerated already declining sales.

Economic woes escalated these negative trends:

- Price points moved down, pushing most buying activity below \$1,000;
- High-end road and mountain bikes languished on sales floors; and
- Bad forecasting left suppliers with historic inventory levels coming into 2009.

Sales. Retailers observed that new bike sales transitioned from high-end enthusiast product to sub-\$1,000 bikes seemingly overnight.

"We noticed in May of 2008 that sales of our bikes over \$3,000 had stalled. Consumers are looking for bargains," said Kay Liggett, owner of Criterium Bicycles in Colorado Springs, Colorado.

Boutique brand Seven Cycles saw modest growth in sales last year, how-

ever, company president Rob Vandermark notes that so far this season has not been as kind.

"Our sales were up a little last year, in part because the price points of Trek and Specialized moved into our territory, which shifted perception. Now we are competitive with those brands even though our pricing has stayed the same," Vandermark said.

He is glad Seven introduced its entry-level \$3,300 custom steel and \$4,000 titanium Ultegra-equipped Gateway models last year.

But the same forces slamming pocket books shut pushed former bike riders

into garage recesses to rescue old bikes. And shops selling used bikes were swamped with business.

Retailers who depended on new bike sales for the bulk of their profits now found service departments understaffed and undersized, but saw a pot of gold under every service stand.

Those old bikes pressed into service needed racks to carry stuff, fenders to keep the elements off, and rubber and lights for commuting, which kept distributor warehouses humming through last summer.

Categories. Last year was a tough one for suppliers.

Lured by the myth that gas prices and a bad economy are great for selling bikes, suppliers ordered too many bikes too late in the year. The bikes arrived in time to hear consumer wallets slam shut leaving suppliers sitting on historic levels of inventory.

BPSA members were sitting on 58 percent more dollar inventory and had 746,578 more units in warehouses, a 53 percent increase, at the end of 2008.

Rising raw materials pushed the average price of an imported bike up 19 percent, to \$74 from \$62 in 2007, according to U.S. Department of Commerce data. Yet BPSA data shows the average selling price to dealers was up a more modest 8

U.S. Bicycle Import Landed Average Unit Value

Categories	2008	2007	2006	2005	2004	Five-year trend
Kid's sub-20-inch	\$30.11	\$26.07	\$24.43	\$25.30	\$25.44	18.4%
20-inch	\$42.69	\$35.98	\$38.86	\$37.31	\$38.04	12.2%
24-inch	\$62.63	\$60.06	\$54.41	\$48.88	\$45.97	36.2%
26-inch	\$106.65	\$93.39	\$83.99	\$86.91	\$78.31	36.2%
700c, Other	\$274.09	\$232.90	\$251.99	\$240.13	\$114.21	139.9%

Source: U.S. Department of Commerce

U.S Bicycle Import Units by Category

Categories	2008	2007	2006	2005	2004	Five-year trend
Kid's sub-20-inch	5,095,446	5,426,613	5,513,676	6,036,936	4,579,920	11.3%
20-inch	5,590,241	5,404,990	4,895,612	5,629,122	5,169,265	8.1%
24-inch	1,175,257	1,259,439	1,714,106	1,822,620	1,827,780	-35.7%
26-inch	5,294,668	4,918,550	5,080,160	5,145,094	5,160,948	2.6%
700c, Other	1,795,972	1,099,461	858,767	981,636	1,587,014	13.2%
Totals	18,451,584	18,109,053	18,062,321	19,615,408	18,324,927	0.7%

Source: U.S. Department of Commerce

U.S. Bicycle Import Value by Category (in millions)

Categories	2008	2007	2006	2005	2004	Five-year trend
Kid's sub-20-inch	\$153.42	\$141.49	\$134.67	\$152.75	\$116.53	31.7%
20-inch	\$238.66	\$194.46	\$190.24	\$210.03	\$196.64	21.4%
24-inch	\$73.60	\$75.63	\$93.26	\$89.10	\$84.02	-12.4%
26-inch	\$564.65	\$459.34	\$426.69	\$447.18	\$404.13	39.7%
700c, Other	\$334.60	\$256.06	\$212.08	\$235.72	\$181.25	84.6%
Totals	\$1,370.38	\$1,126.99	\$1,061.27	\$1,134.77	\$982.57	39.5%

Source: U.S. Department of Commerce

Unit Market Share by Category

Categories	2008	2007	2006	2005	2004	2003
Kid's sub-20-inch	27.6%	30.0%	30.5%	30.8%	25.0%	29.1%
20-inch	30.3%	29.8%	27.1%	28.7%	28.2%	30.3%
24-inch	6.4%	7.0%	9.5%	9.3%	10.0%	10.4%
26-inch	28.7%	27.2%	28.1%	26.2%	28.2%	27.4%
700c, Other	7.0%	6.1%	4.8%	5.0%	8.7%	2.7%

Source: BPSA

percent, squeezing supplier margins.

For the most part, adults did not balk as materials costs pushed bike prices up. The same cannot be said for parents. Suppliers like Fuji, Scott, Specialized and Trek have made big investments in redesigning their kids' bikes over the past few years to appeal to enthusiast parents, and the effort paid off as bike shops increased their kids' sales.

But specialty kids' bikes received a double whammy—on top of higher prices because they were technically more advanced, materials hikes pushed prices up further.

Last year erased all the kids' market share the specialty channel had picked up in prior years. The only kids' category to pick up business over last year was 24-inch, up 2 percent in shipments. All other categories were way down. Suppliers shipped 16 percent fewer BMX/freestyle bikes, 19 percent fewer 20-inch bikes and 18 percent fewer 10-, 12- and 16-inch bikes.

"We just priced ourselves out of the kids' market last year. I think a parent is willing to pay a hundred more dollars than a mass bike to buy their kids a quality bike, but they were not willing when our bikes were \$200 to \$300 more than bikes in the mass market," said Pat Cunnane, president of Advanced Sports.

Enthusiasts have been good to the industry, buying the latest carbon fiber marvel promised to be 35 grams lighter than last year's model, or the latest whiz kid's take on pedal stable suspension.

But increasingly bike buyers were not interested in the latest road or full-suspension bike as they were in a bike to get around on like a hybrid. Hybrids posted the largest category improvement, up 19 percent in units.

Adding BPSA's unit shipments of cruiser, comfort, road and hybrid bikes together shows the traditional pavement category grew to 63 percent of the

specialty market last year. If you add in mountain bikes used for commuting, the percentage is even higher.

The same customers walking into bike shops buying hybrids also drove sales of adult 700c bikes in the mass market. Last year suppliers imported 696,511 more 700c bikes, a 63 percent increase. While it's impossible to know whether these 700c bikes are road or hybrid bikes, if shipments of hybrid bikes to bike shops is up, it follows that they would also be to mass retailers.

America's growing preference for hybrid bikes is making the U.S. market closer to the European bike market, whose big sellers, trekking bikes, are essentially hybrid bikes with fenders and racks.

Environment. Environmental issues increasingly became a motivation to buy bikes.

The Obama administration's push for green initiatives to address global warming raised the population's awareness of the ecological choices they make. If automotive hybrids were a good answer, bikes were a better answer.

Growing environmental concerns drove increasing numbers of professionals into retailers looking for car replacement bikes for their commute to work.

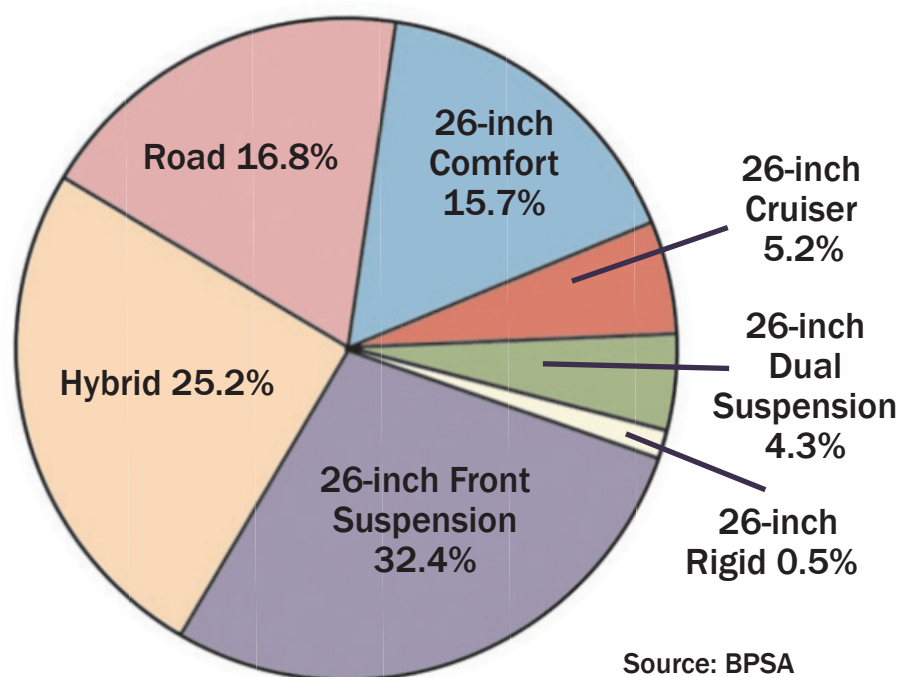
Families also turned to cargo bikes as minivan replacements to haul kids, groceries and supplies.

For 10 years Xtracycle has been pushing its bicycle pickup concept, a long-tail retrofit called the FreeRadical that can accommodate cargo of all types and sizes, but with little sales success.

Last year things changed. Xtracycle sold out of its entire year of production in the spring. Surley's Big Dummy, a frameset prebuilt with a FreeRadical long-tail, sold out. Everyone wanted cargo bikes.

"It was partly rising gas prices, and a

Adult Bike Market Share



Source: BPSA

major part environmental. People realized they had to limit their carbon footprint now, the sea level was coming up, they couldn't wait any longer," said Nate Byerley, Xtracycle's president.

While suppliers to the cargo bike market targeted men, it turned out mothers were the designated riders as they ferried kids around and picked up groceries.

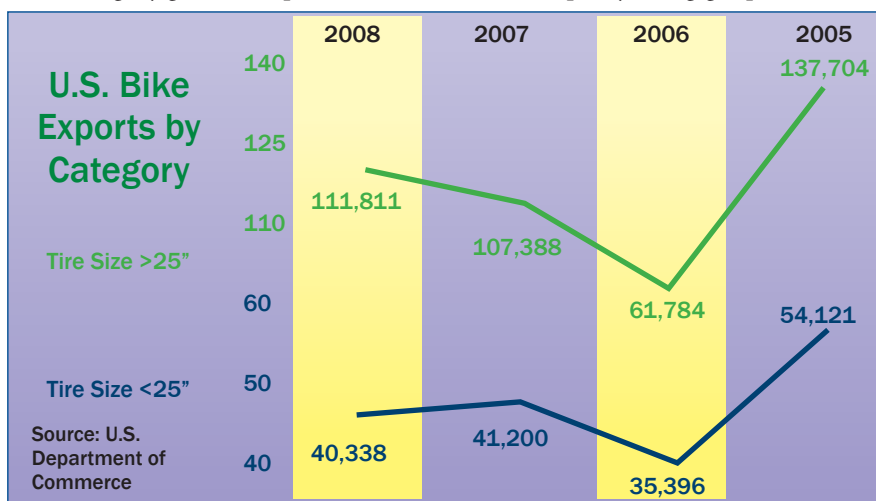
Surley's success with its Big Dummy was not lost on sister company Civia, who plans its up-market take on long-tails soon.

Unlike customers looking at a bike as cheap transportation, people considering a bike for environmental reasons

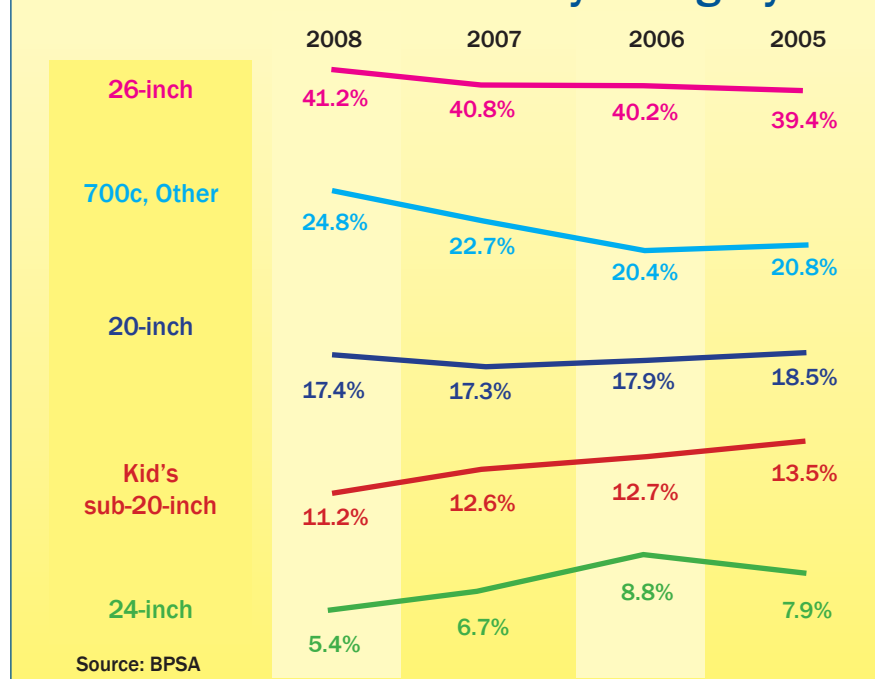
are willing to spend, something startup Civia is proving.

Civia delivered its first high-end transportation bike, the Hyland, retailing from \$1,595 to \$3,500 depending on drivetrain, and plans to deliver Loring, retailing between \$995 to \$1,695, this season. Civia sold out its limited Hyland run and presold two-thirds of its planned production of Loring according to Scott Thayer, Civia general manager.

"We are targeting professionals that want to make a responsible transportation choice but still have the money to pay for something they feel passionate about," said Thayer. **BRAIN**



Dollar Market Share by Category



Participation Trends Researchers Say...

Continued from page one

The 11 percent increase could be linked to numerous factors including skyrocketing gas prices last summer, a growing green movement and increased funding for bicycle infrastructure in cities and towns across the country, said Fred Clements, executive director of the National Bicycle Dealers Association.

"It would seem that a lot of pieces are being put in place on a lot of fronts that would equal the payoff of greater participation, so it's gratifying to see that number go up. It would be depressing to see it go down," Clements said.

Bicycling spun its way back up to the sixth slot in the NSGA's participation list, falling behind exercise walking, swimming, exercising with equipment, bowling and camping, in that order.

The Outdoor Foundation found that bicycling was the second favorite activity among Americans age 6 and older with 2.62 billion outings in 2007. Running/jogging/trail running edged out cycling with 3.87 billion outings. The Outdoor Foundation ranked bicycling third by overall participation, behind fishing and running/jogging.

Tom Doyle, vice president of information and research for the NSGA, said his research showed a spike in youth participation in bicycling—from 14.5 million riders aged 7-17 in 2007 to 18.1 million in 2008—which may have also contributed to an overall increase in ridership.

Part of that could be due to the fact that there hasn't been anything new in the non-motorized youth market for some time. Participation in scooter, roller blades and skateboards has flattened after peaking several years ago, Doyle said.

"I think what you see happening overall is kids are probably going back to the bicycle for personal transportation," Doyle said. "Just generally comparing year over year more bicycle trails are being developed, more parents are willing to take their kids out because they don't have to ride on the streets. There's a lot of good stuff going on."

However, the study commissioned by the Outdoor Foundation pointed to an opposite trend. That survey showed that youth participation in bicycle riding declined from 18.8 million riders in 2006 to 15.5 million in 2007. The Outdoor Foundation did not yet have numbers for 2008. That study took into consideration kids ages 6-17 who rode at least once during the year. Still, bicycling ranked No. 1 in popularity among kids 6-17 with 1.15 billion outings in 2007, and No. 2 among young adults 18-24 with 223 million outings.

Clements said the industry could do more to attract young riders.

"I think there's a lot of work to do. We battle huge forces that are societal forces to try to get kids on bikes. Riding to school is not even allowed in a lot of schools. It comes down to infrastructure and safety and parental perception of safety," he said.

Clements commended the Safe Routes to School program, which funds projects that allow kids to

more safely walk and bike to school, but noted that it's a long-term effort.

The NSGA research pointed to an uptick in the number of female cyclists last year as women accounted for 46.8 percent of riders in 2008, compared with 43.4 percent in 2007. The number of infrequent riders—those who pedaled between six and 24 days a year—stayed about on

Youth Participation (Ages 7-17 who participated more than one time)

As a percentage of total riders

2005: 16.4 million, or 39.9 percent

2006: 14.2 million, or 39.9 percent

2007: 14.5 million, or 36.2 percent

2008: 18.1 million, or 40.5 percent

Source: NSGA

Infrequent Participation (People who rode between six and 24 days a year)

As a percentage of total riders

2005: 40.5 percent of 41.1 million riders

2006: 43.7 percent of 35.6 million riders

2007: 42.8 percent of 40.1 million riders

2008: 42.5 percent of 44.7 million riders

Source: NSGA

par coming in at 42.5 percent of all riders last year and 42.8 percent of all riders in 2007.

Although bicycle riding enjoyed a nice bump in participation in 2008, the industry still has plenty of work to do to reel in new riders. Cyclists are still predominantly affluent, white, male baby boomers.

In 2006, Shimano spent millions of dollars promoting its Coasting program to attract new consumers, but the concept never took off at the retail level.

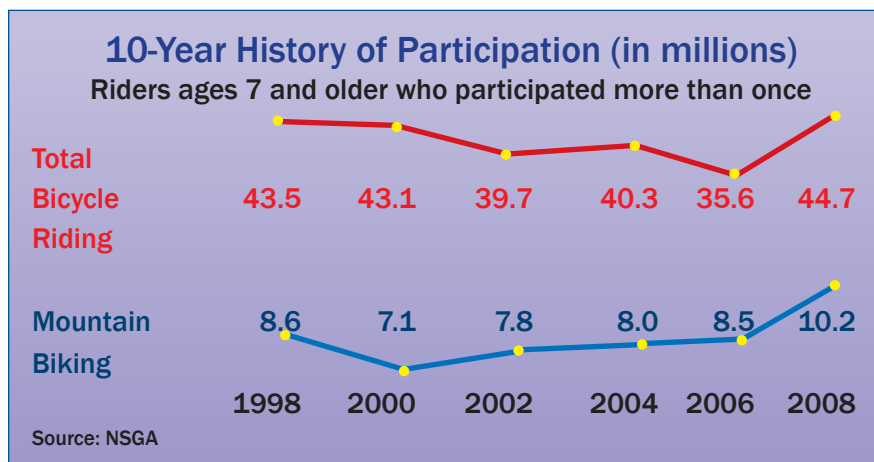
"It was such a noble attempt and yet maybe it reached a little too far and it didn't work for some reason," Clements said.

Still, the industry is making progress. There is much more diversity in the product available now with manufacturers churning out a range of more commuter-friendly and urban bikes suitable for all levels of riders, Clements said.

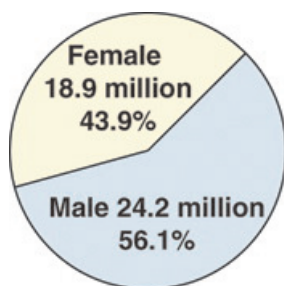
"We do need to reach out better to customers who are not our usual customer base. It's hard to do because we're set up to deal with enthusiasts primarily.

Then you have something unexpected like \$4 per gallon gasoline and end up with customers you wouldn't expect walking into your store. You're not set up to deal with them. It's a challenge," Clements said.

The NSGA gathered its data through a survey mailed to 10,000 households from a pool of 30,000 pre-recruited households. The Outdoor Foundation, which partnered with the National Golf Foundation, the Sporting Goods Manufacturing Association and the Snowsports Industries America for its study, conducted 40,794 online interviews to gather its information. **BRAIN**

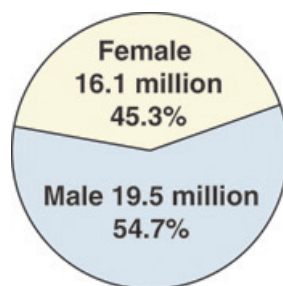


Total U.S. Bicycle Riding Participation Males vs. Females



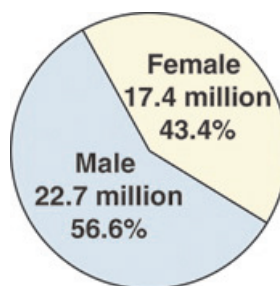
2005

All Participants: 41.1



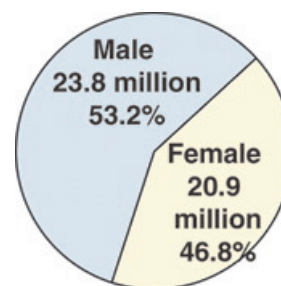
2006

All Participants: 35.6



2007

All Participants: 40.1



2008

All Participants: 44.7

Source: NSGA

Bike Sales Fail to Keep Pace with U.S. Population Growth

BY MATT WIEBE

COSTA MESA, CA—Flat sales in our current economy may not seem so bad. But when comparing bicycle sales trends with U.S. population growth, the picture looks much more bleak.

Market share data over the last six years from the Bicycle Product Suppliers Association measured against the growing U.S. population shows that bicycle sales actually dipped 20 percent overall.

In 2002 BPSA members shipped 2,802,000 units to bike shops. Last year they shipped 2,497,090, a decline of 304,910 units. Over the same period, the U.S. population increased by 15.6 million people. Accounting for population growth, shipments to mass-market retailers were down a more modest 8 percent over the same period.

“We celebrate flat sales when things get bad but that is clearly not the whole story. Given our growing population the channel is not keeping up,” said Fred Clements, executive director of the National Bicycle Dealers Association.

“Speculating because we don’t have any data to analyze, I think it is safe to say the population demographic that is growing are not bicyclists. But that is really something we have been saying for many years,” he added.

Clements noted that the specialty channel targets older, white males that are financially stable. This is

not a growing demographic or one that’s expected to grow. If the U.S. population is growing in other areas, which is the case, it’s not surprising that the specialty channel’s customer base is shrinking.

“Our customers do not look like Americans. They look like our customers, which is the problem,” Clements said.

However, Clements noted that the Bush administration didn’t provide much federal money for bicycle

projects and didn’t push an environmental agenda. Clements sees a host of changes to the cultural paradigm that will bring new customers into bike shops.

If gas prices climb later this year, people will consider walking and biking. And health issues like obesity will continue to turn people to exercise.

“So call me an optimist, but I really think times are changing and bikes are going to be a major part of the new culture,” Clements said. **BRAIN**



Specialty Retail Bikes Sold†			
	BPSA Unit Sales	U.S. Population	BPSA units per 1,000*
1999	2,753,724	279,295,000	10
2000	2,834,417	282,407,000	10
2001	2,628,000	285,339,000	9
2002	2,802,000	288,189,000	10
2003	2,274,326	290,941,000	8
2004	2,354,000	293,609,000	8
2005	2,469,300	296,329,000	8
2006	2,526,965	299,157,000	8
2007	2,659,533	302,045,000	9
2008	2,497,090	303,825,000	8

*per 1,000 people †IBD channel, based on BPSA figures
Source: U.S. Census Bureau, BPSA

Bike Purchases Above 20-Inch†		
	U.S. Population	Bike purchases per 1,000*
1975	215,973,000	34
1980	227,225,000	40
1985	237,924,000	42
1990	249,464,000	43
1995	262,803,000	45
2000	291,422,000	48
2005	295,561,000	46
2008	304,060,000	44

*per 1,000 people †All channels based on import data and domestic production estimates

Source: U.S. Census Bureau, U.S. Department of Commerce, Jay Townley and Bicycle Retailer & Industry News



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Boutique Shops...

Continued from page one

in January. That shop had been open for about a year.

Tom Rodi, director of sales and marketing for Massachusetts-based Parlee Cycles, which counted 3rd Nature and Breaking Away among its dealers, said the Northeastern region did not perform as well as others in the United States and internationally.

"New Jersey, Connecticut, New York—that core is so much in the financial sector and it's a pretty signifi-

cant winter there. It's sad [shops closing] with all the people involved, but for us, there are still a lot of guys who are doing really well," Rodi said.

High-end retailers in that area that have survived the challenges have tweaked their businesses to adjust to the changing retail climate.

Paul Levine, owner of Signature Cycles, which has three locations—Manhattan, Central Valley, New York and Greenwich, Connecticut—said the average price for a complete bike sale has dropped from \$8,300 to \$7,500.

"We have seen \$10,000 for a bike become a ceiling for some of our clients, which wasn't an issue a year ago," Levine said.

In response, Levine, who carries custom brands like Parlee, Serotta, Guru, Seven and Independent Fabrication, hasn't changed his product mix, but he emphasizes the \$3,500 to \$7,000 bike as opposed to the \$10,000 to \$15,000 bike.

Levine has focused more on pushing the lifestyle associated with cycling—leading a training tour in Majorca, Spain, and inviting customers to meet the framebuilders behind his niche brands.

Will Pennino, owner of Road Worx in Syosset on New York's Long Island, has also seen complete bike sales decline as customers watching their retirement accounts dwindle hold back on big purchases. But, high-end upgrades like Zipp wheelsets or the new Shimano and Campy gruppos continue to sell well.

"We have seen \$10,000 for a bike become a ceiling for some of our clients, which wasn't an issue a year ago." —Paul Levine, owner, Signature Cycles

Pennino spends most of his inventory dollars on apparel and accessories and keeps minimal complete bikes on the sales floor. This year, he stocked up.

"I didn't want to give the impression that we were slimming down. If we only have one set of Zips when we used to have six sets of Zips, a customer walks into the store and it feels like we're being anemic because of what's going on in the rest of the country," said Pennino, who carries Serotta, Guru and Colnago.

Pennino has committed to reconnecting with several local cycling clubs and staying involved with community events to market his business as the go-to shop, so when the economy turns around customers looking to spend cash think of him.

Dealers who target the top end of the market say that business model continues to be viable in this economic environment, perhaps even more so now than in better times.

"Every shop does offer high-end now. The consumer shopping in that category is not going to be as impulsive, they're going to watch their dollars more and they really want to go to the place that specializes in what they want to buy," Levine said.

Cadence's Snider said despite closing one location, Cadence is coaching more athletes in New York and Philadelphia than ever before, and the Philadelphia shop has seen growth every year since it opened in 2004.

He has repositioned the shop's merchandising strategy to include mid-priced brands like Northwave shoes and Lazer helmets, in addition to Cannondale, and plans to add product in the mountain bike category as well as host new camps and clinics.

"I'm very optimistic about our potential. We've had a misstep, but that doesn't deter my optimism that Cadence as a brand and a concept will continue to grow," Snider said. **BRAIN**

The advertisement features a grayscale image of a cyclist in a racing jersey and helmet, riding a road bike. To the right of the cyclist, a silver and black BBB mini pump is shown in two positions: one fully extended and one partially retracted. Below the pump is a small yellow award trophy icon with the text 'AWARD WINNING'.

BBB AWARD WINNING PRODUCTS

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