

Sporting Goods Loses Market Share to Mass, Specialty Stores

BY JASON NORMAN

Sporting goods was the only channel not to grow in 2008, losing 200,000 units over a year's time. The distribution channel felt the squeeze from both the specialty retailer and mass merchants.

Jay Townley of the Gluskin Townley Group said several reasons underlie the decline in sporting goods. "We have been told by more than one industry

executive that we had overstated the full-line sporting goods market share in past years, so we adjusted in 2008," said Townley, who produces The Cycling Consumer of the New Millennium Report.

"Also, our sources tell us that some full-line sporting goods retailers have lost some volume to mass merchants as the economy contracted throughout

2008."

While sporting goods is more than holding its own against the IBD and mass merchant when selling parts, accessories and clothing, the channel is having a rough go selling bikes.

While the specialty retail channel accounts for 50 percent of all bikes sold, and the mass accounts for 36 percent, chain sporting goods stores come in at

9 percent.

It seems sporting goods is in limbo, sandwiched between the expertise, selection and quality of the IBD, and the cheap prices of the mass.

"Sporting goods has maintained its share of aftermarket because of presentation and merchandising of brand name products that are not necessarily available from mass merchants, but are losing share in new bicycles because many of the same brands are available at lower prices from mass merchants," Townley said.

Specialty Breeds Diversity. Townley said that more than 300 bike brands sell through the specialty retail channel. The majority of them have survived over the past five years because of demand for variety.

"The demand comes from the bike shops that get it about the need to differentiate themselves in their market space, and their understanding of the adult cycling enthusiast market in their local community and area," Townley said.

"The adult cycling enthusiast is looking for discovery and finding something new and different in their local bike shop, and they want to stand out as individuals among their local cycling peers."

Townley doesn't yet track numbers for handmade/custom-built bikes, but he sees this as an emerging segment of the market that retailers should take note of.

Demand for Do-it-All Bikes. The specialty retailer had much more trouble selling full-suspension mountain bikes in 2008 compared to 2007. Total unit sales dropped by 100,000.

This might not come as a surprise as high gas prices and a souring economy entered into the picture last year.

Now more than ever, consumers might be looking for a "do-it-all bike"—one that lends itself not only to dirt recreation, but also commuting. This helps explain why front-suspension sales are up almost 300,000 units from 2007 to 2008.

Moreover, cost-conscious consumers are most likely attracted to the lower pricepoint on a front-suspension bike as opposed to full suspension.

"Full suspension has moved from be-

Preliminary Estimates 2008 U.S. Bicycle Market Features of Channels of Distribution

Mass Merchant	Specialty Bicycle Retail ¹	Chain Sporting Goods	Other
13.7 million units, 77% of the total units.	3.2 million units, 17% of the total units.	1.1 million units, 6% of the total units.	371 thousand units, 3% of the total units.
4 large retailers that do 60% of MM channel total, or over 40% of all retail sales: • Wal-Mart • Kmart • Target • Toys-R-Us	4,319 independent, Specialty Bicycle Retailers. (Note: Performance retail stores are included.)	30 sporting goods retailers: • Dicks Sporting • Sports Authority/Gart • Champs Sports • Goods/Gallions • JumboSports • Sportmart	A variety of outdoor / outside retailers, mail order and internet retailers and all other local and regional retailers of bicycles. • Mail Order • Internet • Hardware Stores
\$1.1 billion in annual bicycle retail dollars, 36% of total annual bicycle retail dollars.	\$1.6 billion in annual bicycle retail dollars, 50% of total annual bicycle retail dollars.	\$284 million in annual bicycle retail dollars, 9% of total annual bicycle retail dollars.	\$158 million in annual bicycle retail dollars, 5% of total annual bicycle retail dollars
\$83 average unit retail price	\$500 average unit retail price	\$255 average unit retail price	\$425 average unit retail price
Major Bike Suppliers • Dorel Industries Schwinn Mongoose Roadmaster • Dynacraft Bicycles Magna • Huffy Bicycles Royce Union • Rand International • Kent International	Major Bike Suppliers • Trek Bicycle Corp. • Giant Bicycle Inc. • Specialized • Raleigh America • Dorel Industries Schwinn GT Cannondale • Haro • Redline Plus over 260 additional brands and suppliers.	Major Bike Suppliers • Huffy Bicycles Royce Union • Raleigh America Diamondback • Dorel Industries Mongoose Schwinn • Haro	Major Bike Suppliers • Dorel Industries • Dynacraft Bicycles • Huffy Bicycles • Rand International • Kent International
MM channel stocks and sells a limited selection of bicycle parts and accessories, and some clothing. It is estimated that the MM channel does 24% of the annual aftermarket business at retail. \$670 million estimated aftermarket retail dollars.	SBR channel stocks and sells the widest selection of bicycle parts and accessories and clothing and shoes. It is estimated that the SBR channel does an estimated 35% of the annual aftermarket business at retail. \$978 million estimated aftermarket retail dollars.	CSG channel stocks and sells a relatively wide selection of bicycle parts, accessories, clothing and shoes. It is estimated that the CSG channel does 23% of the annual aftermarket business at retail. \$642 million estimated aftermarket retail dollars.	Other channel stocks and sells a wide selection of bicycle parts, accessories, clothing and shoes. It is estimated that the Other channel does 18% of the annual aftermarket business at retail. \$503 million estimated aftermarket retail dollars.

Sources: The Gluskin Townley Group, LLC analysis; The Cycling Consumer of the New Millennium Report.

¹OSR, or Outdoor Specialty Retailers has been added as a separate Channel of Trade for the 2008 Report. Estimated retail sales are 182 thousand units, for 1% of the total, and \$85 million or 3% of the total retail dollars. In past years OSR was included in the Specialty Bicycle Retail, or Bike Shop estimates. OSR has been taken out of the Specialty Bicycle Retail estimates for 2008.

ing hot to being not so hot, and front suspension has moved up to the current hot off-road category,” Townley said.

Interestingly, high gas prices last year didn't spark a huge spike in sales in the comfort and hybrid/cross categories at the specialty retailer.

“High gas prices didn't generate a surge in new bicycle consumption,” Townley said. “However, high gas prices did contribute to a surge in used bicycles being ridden by more Americans last year—and this will probably continue this year as well, even though gas prices have gone down, and will probably stay down through this year.

“What surged in 2008 was demand for bicycle service work and sales of repair and replacement parts and accessories, including tires, tubes, saddles, pedals, bags and baskets,” Townley added.

What's less of a surprise is road/700c's decline over the last three years. Look for this trend to continue well into the future.

“There may be no stopping it,” Townley said of road's decline. “The U.S. consumer has been changed by this economic contraction, just as their parents and grandparents were changed by the Great Depression. The deeper and

U.S. Bicycle Market Estimated Retail Dollars 2008 Total Market Share, Bicycles & Aftermarket by Channel of Trade					
Channel of Trade	SBR-Bike Shops	Mass Merchant	Chain Sporting Goods	Other*	Total U.S. Market
Bicycles	\$1,579.04 [†] 50%	\$1,136.91 [†] 36%	\$284.23 [†] 9%	\$157.90 [†] 5%	\$3,158.07 [†] 100%
Parts, Rubber, Accessories including Clothing and Shoes (Excludes service labor and rentals)	\$977.87 [†] 35%	\$670.54 [†] 24%	\$642.60 [†] 23%	\$502.91 [†] 18%	\$2,793.93 [†] 100%
Total Estimated Retail Dollars	\$2,556.91 [†]	\$1,807.45 [†]	\$926.83 [†]	\$660.81 [†]	\$5,952.00 [†]
Percent Share of Total Market Retail Dollars	43%	30.4%	15.6%	11.1%	100%

* including Hardware Chains and Independent Retailers, Mail Order and Internet †In Millions
Sources: National Sporting Goods Association; The Gluskin Townley Group analysis and estimates.

longer this recession lasts, the more permanent the changes in consumer buying habits will become. Some adult cyclists will switch to urban cycling, and some will just age-out of the fit-athletic thing and switch to upright hybrids or comfortable recumbents.”

Once it does hit bottom, Townley

said road will probably resemble 2003 to 2005 volumes at specialty retail.

Another category that's taken a hit is juvenile bikes. All youth categories were down last year except for 24-inch, which may not bode well for the future (see story on page 1).

“If we, as an industry, don't attract

more children and young adults to our sport and activity, we will not have much of a future,” Townley said. “It is essential that we get kids on bikes, and if anything, it is even more important in the long-term to get more kids on bikes more often than to get more adults on bikes. Our future depends on it.” **BRAIN**

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