New venue: Interbike moves down Strip to Mandalay Bay.

Joining forces: Cervélo, Focus integrate under Pon ownership.

Post master: Thomas branches out into bars, eyes U.S.-made carbon.

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Femme factor

It's no longer 'pink it and shrink it' as women's-specific bikes get more respect from suppliers.

By Nicole Formosa

ENCINITAS, CA—Rachelle Smith is the first to admit her Encinitas multi-sport boutique probably doesn't appeal to the vast majority of shoppers in a male-dominated industry.

"It reeks of pink. Most guys walk in and they're like, 'I'll wait for you outside,' " she said. But that's not the customer Smith is after with Pink Peloton, her year-old apparel and accessories store located in Encinitas, the heart of San Diego's triathlon community.

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Six amateur women will ride Cannondale's new top-end Super-Six EVO on this month's Reve Tour, cycling the entire Tour de France route one day ahead of the pros.

Photo by Michael Robertson/Velodramatic

ANNUAL STATS ISSUE

29ers, Internet sales shake up tough market

By Matt Wiebe

Big-wheel mountain bikes, 29ers, saved the industry last year, and Internet sales set tills ringing, but the recession's impact altered the landscape.

Imports were lower than they have been in more than a decade, and it's looking like the market permanently shed 1.7 million bikes' worth of business during the recession.

"Without 29ers, this year sales would be down," said Bob Margevicius, Specialized's executive vice president of the bike group.

Margevicius noted that the road market remains tough, but sales are

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Long-term trend shows waning of riders in U.S.

By Lynette Carpiet

Participation in bicycle riding has slowly waned over the past 16 years, and those who follow the data say the downward trend is unlikely to change unless more is done to market to and attract youth, women and non-white Americans.

The number of Americans age 7 and older who went on a bike ride six or more times last year dipped to 39.14 million, down 1.6 percent from 39.78 million in 2010, according to figures from the National Sporting Goods Association, which has been tracking cycling since 1984.

Year-to-year, participation has seen minor dips and surges. Still, over the past decade, ridership has more or less remained

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Femme factor

She wants the women.

Smith has a long background in customer service, sales and inventory control for Reebok, Active, Zoot and Lululemon, but it was her one-year stint working the retail floor at B&L Bike Shop that initially got her thinking about the potential for a women's-specific shop.

"I think that's when the seed was planted that there's this huge miss going on. They couldn't give me enough hours on the floor to help all the women. The women didn't want to talk to the guys; they wanted to talk to me," she said.

So she opened Pink Peloton as a one-stop shop for female athletes—new or accomplished—to buy gear, attend clinics or join group rides.

Progress has been slow and there are days when Smith has her doubts, but the timing of her new venture could end up being spot-on, with women's-specific product finally garnering more attention and resources from the industry's biggest suppliers.

The days of women's frames sharing molds with men's versions and male designers and product managers developing women's apparel and bikes are rapidly disappearing as companies start investing in female staff to work on women's projects and putting real dollars behind the product.

When developing Cannondale's new line of SuperSix women's carbon fiber EVOs, its highest-ever-spec'd women's road bikes, Lyriel Jordan, Cannondale's global senior product manager, came up with five new unique frames sizes. That required five distinct molds at the factory that didn't piggyback on the men's EVO, which debuted more than a year earlier.

"I'm happy to say with women's there's justification for it now. Three years ago, we couldn't have done it," Jordan said. Cannondale also released its first women's-specific 29er last month at PressCamp, the Tango aluminum hardtail, which retails between $800 and $1,300. The next goal is to beef up the high-end women's mountain bike line.

Since 2009, revenue from Cannondale's women's line has increased 150 percent, with 68 percent of that growth occurrig since 2010, said Mandy Braverman, women's global marketing manager.

Those kinds of numbers give the women's team ammunition when proposing new products and to lobby internally for resources, an ongoing challenge as women's categories inch up toward their male counterparts. While most female product managers in the industry would like to spec out an XTR carbon fiber frame 29er or a fast, flashy Dura-Ace Di2 road bike, they're up against a bit of a disadvantage when the R&D dollars are doled out.

"Probably 85 to 90 percent of product managers are men. They're going to want to see a bike they can ride first. It's really hard to get that past them," Jordan said.

And the volume in the women's part of the business is still squarely in the sub-$1,000 transit/fitness category, making it more difficult to validate big investments on high-zoot products.

Sales of women's road bikes have hovered around 25 percent of the overall units sold in the U.S. for the past four years, and mountain bikes around 17 to 18 percent, according to data captured through Leisure Trends' RetailTRAK program. The two categories where women's product represents a significant chunk of the pie is lifestyle/leisure at 50 percent, where brands like Electra, Linus and Public stand to win big, and transit/fitness at about 35 percent.

Much of the growth in the men's road category over the past four years has occurred in the $3,000 to $7,000 range, while women's unit sales drop sharply

Men's vs. women's bike sales, 2009-2011 and January-April 2012

		UNITS SOLD				DOLLARS SOLD			
		2009	2010	2011	2012	2009	2010	2011	2012
ROAD	MEN'S	74.31%	75.63%	74.17%	73.31%	77.13%	78.56%	77.53%	78.25%
	WOMEN'S	25.69%	24.37%	25.83%	26.69%	22.87%	21.44%	22.47%	21.75%
MOUNTAIN	MEN'S	82.02%	80.85%	82.12%	82.74%	85.80%	86.21%	87.95%	88.31%
	WOMEN'S	17.98%	19.15%	17.88%	17.26%	14.20%	13.79%	12.05%	11.69%
LIFESTYLE/ LEISURE	MEN'S	48.22%	51.05%	49.20%	48.13%	46.95%	49.84%	47.68%	47.06%
	WOMEN'S	51.78%	48.95%	50.80%	51.87%	53.05%	50.16%	52.32%	52.94%
TRANSIT/ FITNESS	MEN'S	71.05%	69.44%	69.19%	64.19%	72.20%	70.84%	69.89%	64.95%
	WOMEN'S	28.95%	30.56%	30.81%	35.81%	27.80%	29.16%	30.11%	35.05%
OTHER	MEN'S	98.97%	97.70%	98.12%	98.56%	97.52%	94.69%	96.15%	97.26%
	WOMEN'S	1.03%	2.30%	1.88%	1.44%	2.48%	5.31%	3.85%	2.74%

Source: Leisure Trends RetailTrak

beyond the $3,000 threshold. On the mountain side, men's unit sales between $2,300 and $5,000 have risen significantly while women's growth is more centered between $1,500 and $1,900.

Greg Shoenfeld, retail relations manager for Leisure Trends, said women's bikes haven't mirrored the industry's recent growth in high-end carbon fiber sport performance bikes.

"I would say the development for women's-specific product is laggard to men's. Women's product is not necessarily benefiting from trends in men's product. It can't keep up with the growth in men's product," Shoenfeld said. That could stem from many reasons. Safety issues are a huge barrier to entry, and women may feel more comfortable on hybrid or commuter-style bikes as cities add more safe routes and dedicated bike lanes. Also, as women reach the age where they have the money and desire to drop $5,000 on a bike, a large proportion are likely in their child-rearing years.

"Naturally, that's going to take some people out of the pool," Shoenfeld said.

But as more brands develop women's-specific product, particularly 29ers, where the momentum in mountain bikes has been in recent years, women's categories could quickly catch up.

"If we look at it as the glass is half full, a lot of opportunity remains in women's product. There is a lot more sitting in the pipeline since brands have focused on the men's pipeline because that's where the bulk of the business is," Shoenfeld said.

That opportunity is not lost on brands like Sugoi and Pearl Izumi, which lead the women's apparel category. Giant will expand its Liv/Giant women's store-in-store concept to as many as 35 shops this year, has added a second women's demo van and is developing a women's-specific line of price-point performance shorts and jerseys. It launched a women's-specific mid-range full-suspension 29er line this spring and will follow up with more high-performance options this summer. Specialized is rebranding its women's division, dubbed I Am Specialized Women, in a new campaign rolling out this month at its dealer event in Utah designed to capture the attention of new riders, a demographic the performance-oriented brand has had trouble resonating with in the past despite appealing to women with a more hard-core edge.

Trek has long been a leader with its Women's Specific Design, and brands like Jamis and Bianchi are broadening their female-specific lines.

And retailers who specialize in selling women's gear say it's starting to make a difference on the sales floor.

At the end of her second year, Robin Bylenga, owner of Pedal Chic in Greenville, South Carolina, is closing in on $500,000 in revenue and is well on her way to profitability by doing things differently—carrying women's apparel other shops shun, organizing "Spin and Sip" rides with wine and appetizers and producing fun how-to YouTube videos on fixing flats without ruining a manicure.

Across the country in Berkeley, California, Kristie Hamilton—general manager of Mike's Bikes, one of the first women in the company and the first female manager—said that five years ago it was rare to see a women's-specific bike on the floor; now about a quarter of the 300 bikes on display are designed for female riders. There are still challenges, like bikes that are spec'd a step down from the men's version or designed with "cutesy" graphics, but slowly the industry is figuring out what women want.

"I hope it just gets better. I'd like to have 50-50. I don't know if that's ever going to happen," she said. **BRAIN**

Women's multi-sport boutique Pink Peloton

Pedal Chic owner Robin Bylenga

Continued from cover

Riders

around 39 million to 40 million, according to NSGA numbers. Yet U.S. population has grown by 27 million over the same period, indicating that the number of riders as a percentage of the total population is down.

Taking a longer view, the drop is even more significant. In fact, NSGA numbers alone show participation has shrunk by about 15 million since 1995 when cycling participants peaked at 56 million. This trend is particularly alarming since conservative estimates put federal, state and local investment in bike and pedestrian infrastructure over the same period at more than $10 billion, an all-time record.

Much of that decline comes from thinning numbers of women and children who ride, said Brad Edmondson, an industry consultant who authored a report detailing trends in participation from 2000 to 2010. NSGA numbers show a decrease of 21 percent and 15 percent among kids ages 7 to 11 and 12 to 17, respectively, from 2001 to 2011. And about 10.2 million adult women rode 109 days or less in 2010, a decrease of 13 percent since 2000, he pointed out in the report.

It's also a reflection of the aging baby boomer segment, which drove growth in the '80s and '90s. As they age, baby boomers are riding less.

But other factors also played a role, including a decline in overall household income. "Population grew but the number of people with discretionary income went down or was flat," Edmondson said. "In general, the decade from 2000 to 2010 was not good times in terms of income for most people."

The other trend his report detailed is that while overall participation has decreased over the past decade, declines were across groups who rode infrequently or occasionally—or what are typically known as casual riders.

Edmondson pointed out that American adults who rode a bike at least 110 days a year increased 12 percent from 2000 to 2010 while the total number of adult riders remained flat at around 25 million.

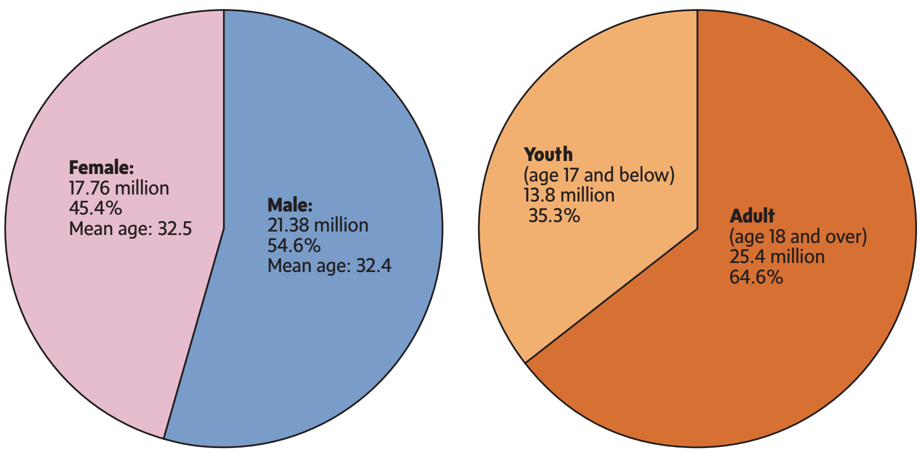
Still, if overall participation growth is the goal, the key is increasing the number of new riders and growing the number of casual riders. That's something advocacy groups like Bikes Belong and the League of American Bicyclists are working toward, but it's difficult to do on a grand scale with limited finances, said Bikes Belong president Tim Blumenthal.

"The mainstreaming is what I think about all the time. Unfortunately, the Lycra, the helmet, the traditional recreational bike culture—most American adults don't see themselves putting on that uniform and being part of that tribe. It's a barrier to entry. They're afraid if they don't look or act the part, they shouldn't ride bikes," he said.

Bikes Belong has a new series of public service ads it will soon roll out on billboards, street furniture and train stations promoting the idea of bicycling. "I feel like so many things have improved and there's so many good reasons why bicycling should be more popular in the U.S. than ever," Blumenthal said.

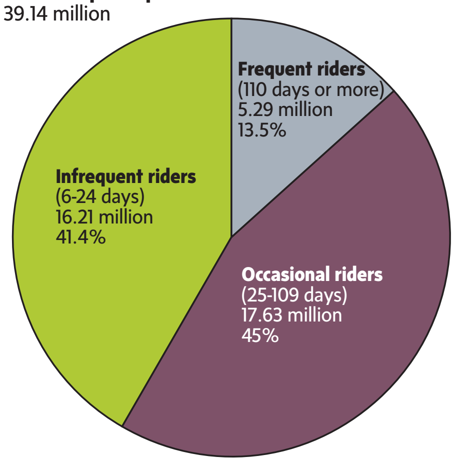
One positive trend is the growing popularity of cycling for transportation. The League of American Bicyclists' Andy Clarke and Blumenthal both said that while small, the number of Americans commuting to work by bike is up. Between 2000 and 2009, the number of commuters who rode to work increased

Gender and age, 2011 riders



2011 ridership

Total U.S. participation:
39.14 million



Source: National Sporting Goods Association

Boom in baby boomers (participation, in millions)

	2001	2011	CHANGE
ADULTS AGE 55 AND OLDER	3.39	6.57	93.8%

Note: Those who rode six times or more
Source: National Sporting Goods Association

by 57 percent. Still, that number is minute at 765,703 in 2009.

Cycling for transportation has grown across all 50 major U.S. cities over the past five years, propelled by infrastructure improvements and bike-share programs. And this trend could prove more positive in the future.

"I've really been cheered by the growth in urban cycling culture," Edmondson said. "It's no longer dorky to show up on a bike. Women's cycling participation is increasing in urban areas where it's considered hip to use a bike as a form of transportation."

In the Bay Area, companies like Williams-Sonoma, Facebook and Mozilla encourage employees to ride between different offices and buildings and to work, offering company bike fleets as an alternative to shuttles and short car trips.

"The tide has turned in terms of seeing bikes as a solution. That's on the menu now," said Kurt Wallace Martin, who has carved out a business helping companies in the private sector develop and launch employee bike programs over the past couple of years.

Other potential for growth lies in ethnic diversification. According to Edmondson, Latinos are driving the bus in terms of population growth, accounting for most of the spike over the last decade. But in terms of cycling, they're still hardly a blip. "The cycling consumer is overwhelmingly white, but that group is not growing," he said.

One way to draw Americans of different racial backgrounds is by homing in on kids and young adults, said industry consultant Jay Townley, who at press time was finalizing a study detailing the growing importance of Generation X and Generation Y to future sales.

Gen Y, born between 1985 and 2004, have reached 100 million, are the most multicultural generation of Americans, embrace everything green and, according to recent studies, are driving less and are less likely and less interested in owning a car. They feel the impact of the recession more, so they're looking for the cheapest way to go from point A to point B, Edmondson said.

"We're going to continue to be at 39 to 40 million in participation until Generation Y makes itself felt," Townley said. "It's going to take a while if we let it naturally occur. But if we go after the market, there's plenty of potential." BRAIN

Youth declines (participation, in millions)

	2001	2011	CHANGE
KIDS AGES 7-11	9.75	7.69	-21%
KIDS AGES 12-17	7.25	6.10	-15.8%

Note: Those who rode six times or more
Source: National Sporting Goods Association

Participation vs. population growth

	2000	2010	CHANGE	CHANGE
TOTAL U.S. POPULATION	281,421,000	308,745,000	27,324,000	10%
BICYCLE RIDERS	43,135,000	39,789,000	-3,346,000	-8%
PERCENTAGE OF U.S. POPULATION	15%	13%		

Sources: Census Bureau and National Sporting Goods Association Participation Study 2010 & 2000

Growth in ride frequency over past five years

	2007	2008	2009	2010	2011
MALE					
FREQUENT (110 DAYS+)	12.4%	13.7%	13.7%	14.3%	16.4%
OCCASIONAL (25-109 DAYS)	49.4%	48.3%	43.1%	46.6%	45.7%
INFREQUENT (6-24 DAYS)	38.2%	38.0%	43.2%	39.1%	37.9%
FEMALE					
FREQUENT (110 DAYS+)	6.8%	7.8%	8.3%	10.9%	10.0%
OCCASIONAL (25-109 DAYS)	45.0%	43.8%	41.5%	43.5%	44.3%
INFREQUENT (6-24 DAYS)	48.2%	48.5%	50.2%	45.6%	45.7%

Source: National Sporting Goods Association

Up-and-comers rise in relevance to global market

By Nicole Formosa

The retraction in the global economy squeezed industry suppliers in Asia last year, causing manufacturers to turn more attention to promising potential in Eastern Europe, Southeast Asia and South America as demand waned in traditionally strong export markets.

China—by far the world's dominant supplier of bicycles—remained relatively resilient due to a stabilizing economy in the U.S., but Taiwan felt the strain from worsening conditions in the European Union, whose 27 member states account for about 60 percent of the island's exports.

In Taiwan, exports of complete bikes dropped 13.7 percent overall in units last year, and fell in each of its top 10 individual export markets, except for Japan. The silver lining came in the unit value of exports, which rose 10.6 percent to $1.6 billion, speaking to Taiwan's philosophy to position itself as an expert in higher-quality, lower-quantity manufacturing and leave the big-volume orders to cheaper labor regions like China, India and Southeast Asia. Further indicating that shift, the volume of bike parts shipped from Taiwan fell 1.3 percent, but the value rose nearly 19 percent to $781.7 million.

Exports to the U.S., Taiwan's second-largest export market, dipped 7.8 percent to 613,343 units, but values also rose, climbing nearly 15 percent to $369 million. Despite a somewhat dire outlook in North America and Europe, Taiwan is seeing plenty of promise in emerging markets. The number of units and the value of exports soared in China, Thailand, Brazil, Mexico and Hong Kong last year as consumers spent more on cycling.

China imported 32,273 complete bikes from Taiwan last year—still a small number in the overall picture, but a massive 189 percent jump from 2010. The value of those bikes rose 227 percent to $16.9 million and the average selling price was $523, higher than most European countries, and coming in just below the average selling price of $601 for the U.S.

In all, China imported 67,000 bikes last year, a hefty vault from 2010's 27,000 and a clear sign of the building market for midrange to high-end bicycles in China.

Still, the situation in Europe is nerve-wracking for Taiwan, which has become the go-to manufacturing base for Europe-bound bikes in the face of steep anti-dumping duties on bicycles imported to Europe from China.

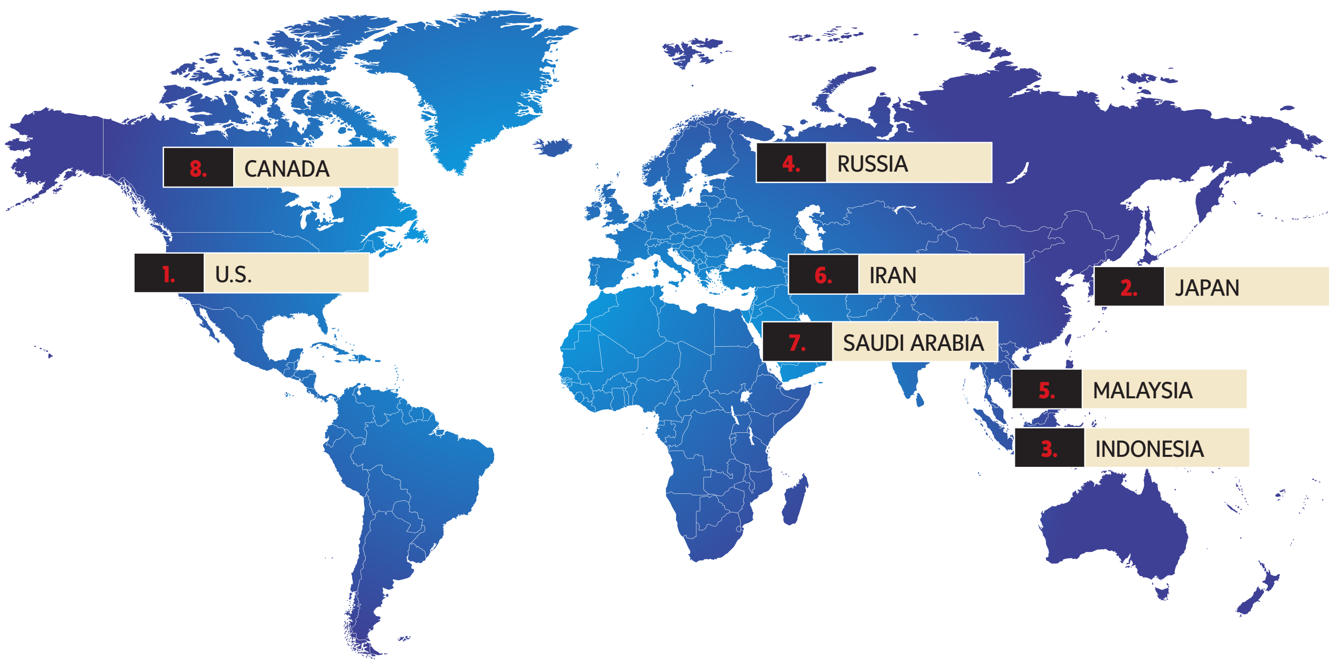
Moreno Fioravanti, president of Coliped, the Association of the European Two-Wheeler Parts' and Accessories' Industry, said in general the EU market was down 7 to 10 percent in 2011 in both sales and production.

"Most of it was caused by real bad weather, but also the economic situation in Europe doesn't help: The crisis is very deep and denting the will to purchase new products. Nevertheless we are not in the bad situation like other industries. Motorcycles, cars are down 20 to 30 percent or more, and much more the housing," Fioravanti said.

Sales of e-bikes continue to fuel the European market, hitting the 1 million mark last year, but, at the same time, pedelecs are chipping away at sales of trekking bikes. Instead of purchasing fancy 7-speed Nexus hub trekking bikes, more consumers are turning to battery-powered alternatives, Fioravanti said. That's good for dealers since e-bikes bring higher margins, but it's not necessarily growing the overall cycling market as much as could be expected. Mountain bikes are a positive point in Europe as 29ers hit their stride at long last, 650b bikes gain exposure and motorized mountain bikes catch on.

Europe's import landscape is also undergoing change. Asia—and Taiwan in particular—is still the biggest contributor, but increasingly Eastern European

China's top export countries in 2011



European global imports of complete bicycles

Imports to EU 27 (in millions of units and dollars)

	2007 UNITS/VALUE		2008 UNITS/VALUE		2009 UNITS/VALUE		2010 UNITS/VALUE		2011 UNITS/VALUE	
TAIWAN	3.1	$407	3.35	$456	2.85	$492	3.37	$604.6	2.73	$581.9
ITALY	N/A		1.43	$104	1.19	$95	1.12	$96.2	1.33	$111.5
THAILAND	1.48	$1.099	1.47	$177.7	1.35	$126.9	1.2	$109.4	.991	$86.5
GERMANY	.661	$22.1	1.09	$179.6	.879	$191.7	.785	$221	.731	$208.6
PHILIPPINES	.644	$22.1	.423	$15.5	.449	$16.5	.491	$20	.497	$20.1
CHINA	.785	$24.1	.739	$29.9	.452	$33.9	.462	$45.4	.492	$42.2
BANGLADESH	.355	$18.6	.373	$22.7	.412	$28.6	.504	$37.1	.426	$32.4
CAMBODIA	.430	$34.7	.479	$43.3	.444	$48.1	.368	$45.2	.366	$52.1
VIETNAM	.029	$2.7	.003	$.35	.007	$.76	.013	$2.1	.226	$28.4

Eastern European imports to EU 27 (in millions of units and dollars)

	2007 UNITS/VALUE		2008 UNITS/VALUE		2009 UNITS/VALUE		2010 UNITS/VALUE		2011 UNITS/VALUE	
ROMANIA	.121	$10.6	.129	$10.5	.169	$15.1	.355	$36.2	.490	$48.3
BULGARIA	.253	$19	.313	$23.9	.295	$25	.340	$33.5	.408	$45
POLAND	.832	$73.3	1.01	$100.8	.533	$64.1	.383	$50.5	.358	$51.5
CZECH REPUBLIC	.224	$42.6	.267	$48.9	.248	$41.1	.316	$58.5	.390	$58.8
LITHUANIA	.315	$30.8	.290	$30.7	.189	$36.8	.325	$41.9	.283	$40.3
HUNGARY	.193	$34.8	.203	$38.6	.192	$42.4	.210	$40.9	.232	$41.5

Source: Eurostat

China production and exports

	2007	2008	2009	2010	2011
Unit production (in millions)	87.1	87.6	76	81.6	83.5
E-bike production (in billions of units)	21.4	21.8	23.7	29.5	30.9
Unit export (in millions)	59.2	56.6	46.1	58.2	55.7
Unit imports (in thousands)	11	Not available	21	27	67
Import value (dollar millions)	$230	$280	$280	$320	$430

countries such as Romania, Bulgaria, Poland and Hungary are becoming significant players.

Vietnam also re-emerged on the scene last year after the European Union lifted 34.5 percent anti-dumping duties in July 2010. In 2011, Vietnam producers shipped 226,000 units to Europe at a value of $28.4 million. That's up from 13,000 units in 2010 at $2.1 million, but the numbers are still nowhere near where they were before the anti-dumping duties were enacted in 2005. The prior year, in 2004, the EU imported 1.85 million bikes from Vietnam.

China continues to be affected by the 48.5 percent anti-dumping duties levied against bikes exported to the EU. The duties, in place for 19 years, are currently under review.

Last year, China exported 492,000 bikes to Europe at a value of $42 million. That marks a drastic decline since 2004, when more than 2 million China-made bikes reached Europe.

Production in Eastern Europe has increased tenfold since 2000, and the region is now home to about 100 parts and assembly factories, Fioravanti said. Exports from Romania have steadily risen from 121,000 bikes in 2007 to 490,000 units last year. The quality has also increased with the value nearing $50 million last year, nearly five times the value from five years ago.

Exports from the top six Eastern European countries—the Czech Republic, Poland, Lithuania, Hungary, Romania and Bulgaria—totaled 2.16 million units, the second-largest contributor to the EU behind Taiwan.

"I honestly think we're in a moment of switch, a moment of possible change," Fioravanti said in response to whether Eastern European production could eclipse Asia. "I think that in some cases the production in Eastern Europe is going to be favorable," but lead times on frames imported from Asia continue to be a factor. Until more Eastern European factories start producing frames, the industry still relies heavily on Asia-sourced products.

The retail market in Eastern Europe is also developing as cycling becomes more popular for sport and transportation, due in part to advocacy work at the national and continental level, Fioravanti said. Sales have increased fivefold since 2000. Poland imported 98,102 complete bikes from Taiwan last year, a 5 percent increase from 2010. The Czech Republic brought in 31,106 bikes, 2.5 percent more than the year before, and Estonia and Latvia also saw healthy increases. Lithuania reported the biggest leap, spiking 342 percent from 2010's 12,043 units to 53,331 last year. BRAIN

Taiwan exports of complete bicycles, 2011

COUNTRY	UNITS	VALUE (IN MILLIONS)	AVERAGE SALE PRICE	CHANGE FROM 2010
U.K.	655, 693	$153	$233.32	-36% units; -18.5% value
U.S.	614,343	$369	$601	-7.8 units; +14.8% value
NETHERLANDS	501,144	$188	$375	-12% units; -2% value
GERMANY	432,880	$132	$305	-8.5% units; +5.5% value
JAPAN	264,908	$107	$405	+15.7% units; +35% value
SPAIN	179,282	$43.5	$243	-14.5% units; -4.5% value
BELGIUM	172,702	$79.2	$458.6	-8.1% units; +26.9 % value
SWEDEN	167,941	$24.8	$148	-36.4% units; -30% value
AUSTRALIA	126,582	$85.7	$677	-10.3% units; +7.8% value
DENMARK	123,628	$30.9	$250	-34.1% units; -15.8% value

Emerging markets

COUNTRY	UNITS	VALUE (IN MILLIONS)	AVERAGE SALE PRICE	CHANGE FROM 2010
CHINA	32,273	$16.9	$523	+189% units; +227% value
THAILAND	22,374	$7.1	$320	+42% units; +65% value
BRAZIL	19,576	$9.4	$482	+66% units; +88% value
MEXICO	17,157	$6.2	$363	+73% units; +98% value
HONG KONG	14,126	$4.4	$564	+42.3% units; +80% value
ARGENTINA	13,466	$4.6	$344	+19% units; +21.7% value
SINGAPORE	12,831	$7.9	$617	+26.8% units; +49% value
ISRAEL	12,340	$7	$568	+4.5% units; +4.7 value
INDONESIA	10,463	$5.6	$532	-9.5% units; +2.6% value
MALAYSIA	9,231	$4.4	$476	+40.5% units; +44.8% value

Note: Excludes folding bicycles
Source: Taiwan Bureau of Foreign Trade

Taiwan exports

Value of exported bike parts

		CHANGE
2007	$421,922,299	+18.7%
2008	$548,295,354	+30%
2009	$510,697, 176	-7.3%
2010	$657,513,240	+28.7%
2011	$781,695,145	+18.8%

Exports of bike parts in quantity by kilograms

	QUANTITY	CHANGE
2007	40,005,315	+10%
2008	42,743,897	+6.85%
2009	35,597,056	-16.7%
2010	40,237,287	+13%
2011	39,714,573	-1.3%

Value of complete bike exports globally (in billions)

		CHANGE
2007	$1.05	+25%
2008	$1.38	+31.6%
2009	$1.25	-11%
2010	$1.5	+20.24%
2011	$1.6	+10.6%

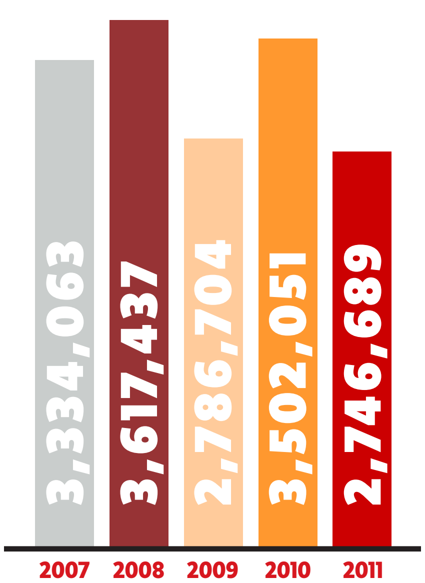
Complete bikes exported globally

	QUANTITY	CHANGE
2007	4,751,967	+17.1%
2008	5,401,920	+13.7%
2009	4,301,360	-20.3%
2010	5,069,915	+17.8%
2011	4,370,000	-13.7%

Source: Taiwan Bureau of Foreign Trade

Exports of complete bikes to the U.S. from Taiwan

Exports of complete bikes to EU 27 from Taiwan



Specialty retailers outshine bike market in 2011

By Toby Hill

The bicycle retail market remained essentially flat dollar-wise in 2011, ticking up 1.1 percent to $6 billion, but specialty retailers outperformed the sector as they bucked the steep overall decline in unit sales and sold pricier bikes than in 2010.

Bike shops and outdoor specialty retailers sold more than 3.1 million bikes last year, up slightly from 2010, but that compares with a dramatic drop of more than 4 million bikes, or 21 percent, for the entire retail market, according to figures from the NBDA U.S. Bicycle Market 2011, an analysis produced by the Gluskin Townley Group for the National Bicycle Dealers Association.

Further, unit retail values rose in all retail channels, but none more so than specialty, which saw a 28 percent surge to an average of $671 per bike, the study says. Bicycle sales for the channel totaled more than $2.1 billion last year, or 60 percent of the dollar-value market for bikes, up from 49 percent in 2010.

Gluskin Townley principal Jay Townley, who compiled the study data, attributed the spike in unit values to increased production and shipping costs, including rising fuel prices. In one 45-day period toward the end of the year, he noted, the cost to ship a container from Asia to the U.S. doubled.

"Those cost increases all year got passed along to retailers," Townley said.

Whether the market can sustain those prices remains to be seen, but Townley points out that total value of imports for the first quarter of 2012 is down despite a slight increase in units shipped.

Last year's jump in bike values was accompanied by a 12-year low in unit purchases of bikes. According to Townley's data, the decline occurred almost entirely at mass retailers, the primary seller of juvenile bikes.

"Bicycling's no longer a kids' market, not the way it once was," he said. "Somebody either made a major error in 2010 and brought in way too much, so they had to cut back in 2011, or they were backing away."

At IBDs, meanwhile, Leisure Trends Group reported strong growth for 2011.

Bicycle sales rose 1.3 percent in units to almost 2.3 million, but a 7.6 percent increase in average retail prices netted a 9.1 percent jump in bicycle dollars, according to BPSA Topline data from Leisure Trends' Cycling RetailTRAK. Overall IBD sales rose 6.6 percent to $3.38 billion, Leisure Trends reported.

Breaking down bike categories, IBDs sold 11 percent more road bikes, representing 37 percent of all bike dollars, while mountain bikes were down less than 1 percent for 28 percent of dollars. Transit/fitness bikes were flat for 19 percent of dollars sold; lifestyle/leisure dipped 9.5 percent for 5 percent of dollars; children's rose 2 percent for 5 percent of dollars; and "other," including folding, recumbent, trikes and e-bikes, inched up less than 1 percent for less than a single percent of dollars.

Trek remained the most popular brand at retail last year based on store locations, according to Townley's data, followed by Giant and Specialized. Redline was the biggest mover among the top 10 brands, jumping from seventh to fourth. It was followed by Raleigh, Haro, Electra, Cannondale (in eighth for the fourth straight year), Sun Bicycles and Scwhinn.

The number of specialty retail storefronts continued their steady decline, with a loss of 89 locations last year, down 2.1 percent. As of January 2012, the dealer base stood at 4,089 locations, according to Townley.

Though the drop is the largest since 2007, when 150 stores closed, NBDA executive director Fred Clements sees little cause for alarm.

"We're doing the same or a little bit more volume from fewer storefronts. So the stores that are still here are getting a little bigger; they're attracting more customers. So maybe losing a few storefronts isn't a bad thing as long as all the markets are covered," he said.

U.S. market channels of trade

Apparent consumption 2009-2011 estimated units and market share

CHANNEL	EST. 2009 UNITS (IN THOUSANDS)	EST. 2009 SHARE	EST. 2010 UNITS (IN THOUSANDS)	EST. 2010 SHARE	EST. 2011 UNITS (IN THOUSANDS)	EST. 2011 SHARE
MASS MERCHANT	10,868	73%	14,970	75.5%	11,029	70%
CHAIN SPORT GOODS	595	4%	1,187	6%	1,103	7%
BIKE SHOPS+OSR	2,977	18%	3,067	15.5%	3,151	20%
OTHER	447	3%	595	3%	473	3%
TOTAL	14,888	100%	19,828	100%	15,756	100%

Sources: U.S. Department of Commerce Import statistics for 2011; Gluskin Townley Group estimates for 2011, excluding exports; Leisure Trends data published in *Bicycle Retailer and Industry News*

U.S. market estimated consumption in retail dollars

2011 total market share, bicycles and parts, by channel of trade

CHANNEL	BIKE SHOPS + OSR	MASS MERCHANT	CHAIN SPORTING GOODS	OTHER (INCLUDING HARDWARE CHAINS, INDEPENDENT RETAILERS, MAIL ORDER AND INTERNET)	TOTAL U.S. MARKET
BICYCLES	$2,114,413,195 60%	$926,434,396 27%	$274,621,624 8%	$179,614,832 5%	$3,495,084,047 100%
PARTS, RUBBER AND ACCESSORIES, INCLUDING CLOTHING AND SHOES	$980,645,622 39%	$590,901,849 23%	$528,039,950 21%	$414,888,532 17%	$2,514,475,953 100%
TOTAL ESTIMATED RETAIL DOLLARS	$3,095,058,817	$1,517,336,245	$802,661,574	$594,503,364	$6,009,560,000
PERCENTAGE SHARE OF TOTAL MARKET RETAIL DOLLARS	51.5%	25.2%	13.4%	9.9%	100%

Note: Excludes service labor and rentals
Sources: National Sporting Goods Association; Gluskin Townley Group analysis and estimates

U.S. specialty retail locations

January 2003 through January 2012

	2003	2004	2005	2006	2007	2009	2009	2010	2011	2012
TOTAL U.S.	5,358	4,982	4,704	4,599	4,451	4,394	4,319	4,256	4,178	4,089
VARIANCE NUMBER OF LOCATIONS	-147	-376	-278	-104	-150	-57	-75	-63	-78	-89
PERCENTAGE VARIANCE	-3%	-7%	-5.6%	-2.2%	-3.3%	-1.3%	-1.7%	-1.5%	-1.8%	-2.1
VARIANCE 2003 TO 2011										-1,269
PERCENTAGE VARIANCE 2003 TO 2011										-24%

Source: The Bike Shop List

"Compared to some industries, we're in great shape. If the slide was 10 percent instead of a couple percent, then I'd worry."

But Townley notes an ongoing march away from smaller and midsize markets in favor of urban markets, a trend also reflected by big-box retailers. This corresponds with the rise of what Townley terms "new wave" bike shops—retailers in densely populated metropolitan centers that serve neighborhoods with high levels of daily, utilitarian bike use and that often emphasize local product and community identity.

"The piece that is going to drive the new wave is that, so far, they have focused on servicing the dense neighborhood markets that are younger Gen X and Gen Y; women and fashion as touch points. And there's this whole idea of locally made bikes," he said.

Serving Gens X and Y, as well as women and minorities, gains greater importance for specialty retailers as baby boomers continue to age out of the bicycle market or reduce their cycling activity and buying.

Generation X currently drives the U.S. bike market, but there are 11 percent fewer Gen X'ers than boomers, notes Townley, who predicts a "slow fade" in the market for eight to 10 years until Generation Y—the largest U.S. generation ever—comes of age.

"The specialty channel is going to have to take a good hard look if it isn't going to succumb to what other channels of trade in consumer goods are going to succumb to. At the end of the day there are 11 percent fewer Gen X'ers than there are boomers. And Gen Y'ers aren't going to come into the market quickly enough over the time frame, so you need to figure out what you're going to do to pick up your game," he said.

The NBDA's Clements is more sanguine about the change in demographics.

"One thing I've learned is that the markets are regional and local. And the demographic shifts in America affect regions differently. As long as retailers remain aware of their community, they'll be fine. It's not uniform. It doesn't affect every dealer the same. The dealers live and breathe with local markets, not national."

Market demographics aside, the mild winter/early spring has gotten 2012 off to a spirited start at IBDs: Leisure Trends reports a 14 increase in sales to $1.1 billion for the first four months of the year. Growth slowed in April, however, and Leisure Trends anticipates a slowing of the market as the season continues and bicycle inventories remain light. Still, it's forecasting a 5 to 6 percent increase in IBD sales this year.

"Despite the market slowing, average retail prices are up. And with less inventory in the market, there is also less discounting taking place," said Greg Shoenfeld, retail relations manager at Leisure Trends.

"The safe prediction is let's be flat again," Clements said. "If everything is flat from here on it's a good year, given the strong start." **BRAIN**

U.S. bicycle market

Estimated average unit retail value by channel of trade 2009-2011

CHANNEL	2009 EST. AVERAGE UNIT RETAIL VALUE	2010 EST. AVERAGE UNIT RETAIL VALUE	2011 EST. AVERAGE UNIT RETAIL VALUE
MASS MERCHANT	$78	$79	$84
CHAIN SPORTING GOODS	$234	$239	$249
BIKE SHOPS+OSR	$500	$525	$671
OTHER	$350	$355	$380
TOTAL	$177	$166	$222

Sources: U.S. Department of Commerce Import Statistics for 2011; Gluskin Townley Group estimates for 2011, excluding exports; Leisure Trends data published in *Bicycle Retailer and Industry News*

Top 10 brands sold at specialty retail 2008-2011

	2008	2009	2010	2011
1	TREK	TREK	TREK	TREK
2	GIANT	GIANT	SPECIALIZED	GIANT
3	SPECIALIZED	RALEIGH	GIANT	SPECIALIZED
4	HARO	HARO	HARO	REDLINE
5	REDLINE	SPECIALIZED	ELECTRA	RALEIGH
6	GARY FISHER	GARY FISHER	RALEIGH	HARO
7	ELECTRA	REDLINE	REDLINE	ELECTRA
8	CANNONDALE	CANNONDALE	CANNONDALE	CANNONDALE
9	RALEIGH	DIAMONDBACK	SUN BICYCLES	SUN BICYCLES
10	SUN BICYCLES	ELECTRA	FELT	SCHWINN

Source: NBDA Specialty Bicycle Retailer Study, 2008-2011

Continued from cover

Tough market

strong with new bike designs. Overall, however, there are not many gains, he added.

"Carbon is still king. This is where we are seeing bicycle unit and dollar sales gains in the road market," Margevicius said.

Members of the Bicycle Product and Supplier Association (BPSA) shipped 100,000 more 29ers to shops in 2011 than they did in 2010, representing a $50.4 million increase in sales, more than 90 percent of last year's sales gain.

The 9 percent jump in average unit value for 700c imports reflects the increasing number of high-value 29ers that are included in this category. But few expect the 29er golden goose to continue laying; going forward, it's doubtful 29ers will continue commanding a $500 premium over 26-inch bikes.

"The average selling price of 29er hardtails is down so far this year. This is the most significant market segment. I don't expect there will be a big gap between 26-inch and 29er in full suspension, as components are now readily available for either wheel size," Margevicius said.

Though the average value of 26-inch imports jumped 20 percent, the number of units imported fell by 17 percent. The shortfall was mostly in low-value comfort and cruiser bikes, where customers are most acutely affected by the recession. The absence of low-value bikes in the import mix is probably responsible for the rise in average value.

Internet retail arrived as a substantial player in the market: The Gluskin Townley Group estimates Internet sales of new bikes and parts hit $1.2 billion in 2011, about 20 percent of all bicycle-related sales.

Gluskin Townley further estimates sales of used bikes from such retailers as eBay, Craigslist and Amazon hit $816 million last year. Internet purchases of new and used product represent more than a third of the overall bike market.

"Since we've been working for the past few years trying to hammer out these numbers, I'm not that surprised Internet sales are this substantial. I am surprised that the industry seems oblivious to a series of changes in the retail landscape that is totally reshaping the market," said Jay Townley, principal with Gluskin Townley.

Internet retail. In a recent consumer survey evaluated by Gluskin Townley, when asked which Internet retailer received their business, consumers said 37 percent of their purchases were made through a bike shop's website.

But what has captured industry attention are sales that U.K. Internet retailers such as Chain Reaction Cycles and Wiggle are ringing up in North America.

"I still think the industry under-appreciates the consumer appetite for Internet commerce," said Brendan Quirk, general manager of Backcountry.com's bike division and founder of Competitive Cyclist.

"We saw phenomenal growth last year—maybe not mind-blowing growth because of the inroads Chain Reaction and Wiggle made. If suppliers don't take a concerted stand on minimum advertised pricing, the retail landscape is going to quickly change," he said.

European retailers do not conform to minimum advertised pricing, and their low prices are attracting customers in the U.S.

Chain Reaction Cycles made its first trip to Sea Otter this spring, a reflection of how strongly the retailer's business grew last year.

"The USA is a strong market for us which has seen steady year-on-year growth over the last three years. We are already signed up to be at Sea Otter next year and look forward to once again meeting our North American customers," said Simon Cordner, Chain Reaction Cycles' public relations manager.

In 2010, Chain Reaction Cycles' most recent public filing, the company's sales hit 109 million pounds ($167 million), up from 23.9 million pounds in 2007. Its sales have been growing 66 percent annually, and 37 percent of its sales—or $61.8 million—were outside the European Union.

Wiggle reported 2011 sales of 141 million euros ($175 million). Its largest international markets are Australia and Japan, and its international business represents 60 percent of sales, or $105 million.

Together these two European retailers could do more than $50 million in business in the U.S. That is less than 1 percent of the $6 billion total U.S. bike market, but sales are growing quickly.

European companies buy U.S. suppliers. Internet retailing is not the only place Europeans are making inroads in the U.S. market.

Last year saw the purchase of iconic bike brand Titus by the U.K.'s Planet X. Swiss company Scott Sports bought Syncros, and this year Dutch company Pon Holdings purchased Cervélo. Accell Group, also Dutch, bought Seattle Bike Supply a few years ago and purchased e-bike maker Currie late last year.

"There are now a lot of very distressed bicycle companies in Europe, but equally American companies seem under great pressure," said Dave Loughran, Planet X's founder. "I think the entire marketplace is going through massive changes, and it's basically hard now for a midsize brand to compete."

Despite tough conditions at home

U.S. domestic exports by category

	2007	2008	2009	2010	2011
TIRES > 25 INCHES	51,585	45,882	43,885	46,193	42,663
TIRES < 25 INCHES	31,226	28,993	31,838	35,935	32,765

Source: U.S. Department of Commerce

U.S. import landed average unit value

CATEGORIES	2007	2008	2009	2010	2011
KID'S SUB-20-INCH	$26.07	$30.11	$29.25	$30.44	$32.43
20-INCH	$35.98	$42.69	$39.30	$45.84	$49.13
24-INCH	$60.06	$62.63	$61.11	$60.30	$63.47
26-INCH	$93.39	$106.65	$105.36	$101.01	$119.48
700C	$232.90	$274.09	$284.36	$284.78	$310.39

U.S. import units by category

CATEGORIES	2007	2008	2009	2010	2011
KID'S SUB-20-INCH	5,426,613	5,095,446	4,682,134	6,321,675	4,716,749
20-INCH	5,404,990	5,590,241	4,282,929	5,374,343	3,710,461
24-INCH	1,259,439	1,175,257	821,497	1,289,550	1,110,592
26-INCH	4,918,550	5,294,668	3,829,805	5,316,420	4,418,353
700C	1,099,461	1,795,972	1,221,288	1,323,584	1,475,888
TOTALS	18,109,053	18,451,584	14,837,653	19,765,572	15,432,043

U.S. import value by category

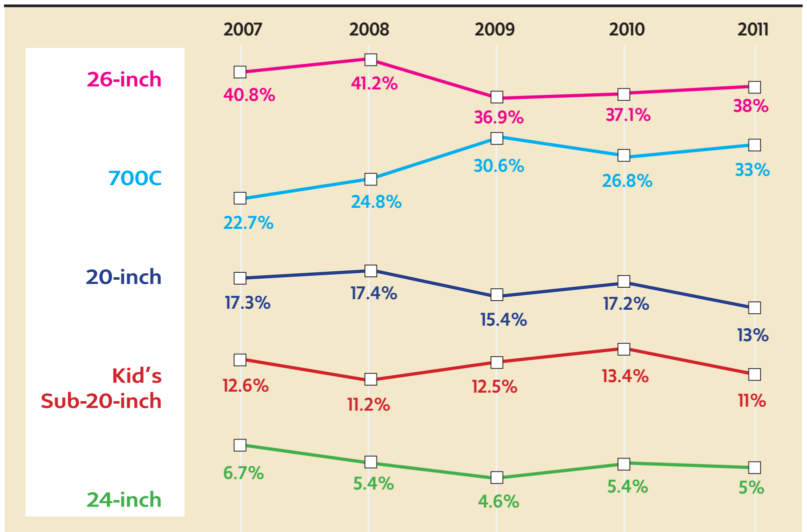
CATEGORIES	2007	2008	2009	2010	2011
KID'S SUB-20-INCH	$141,494,076	$153,423,676	$136,930,864	$192,460,397	$152,984,436
20-INCH	$194,461,686	$238,660,479	$168,332,934	$246,349,616	$182,299,378
24-INCH	$75,636,836	$73,604,064	$50,201,346	$77,756,631	$70,493,195
26-INCH	$459,344,590	$564,650,282	$403,504,521	$531,692,550	$527,906,821
700C	$247,601,229	$334,602,603	$331,888,367	$376,935,998	$458,097,883
TOTALS	$1,126,997, 205	$1,370,383,419	$1,093,366,488	$1,431,391,656	$1,391,781,713

U.S. import unit market share by category

CATEGORIES	2007	2008	2009	2010	2011
KID'S SUB-20-INCH	30%	27.6%	31.6%	32%	31%
20-INCH	29.8%	30.3%	28.9%	27.2%	24%
24-INCH	7%	6.4%	5.5%	6.5%	7%
26-INCH	27.2%	28.7%	25.8%	26.9%	29%
700C	6.1%	7%	8.2%	7.4%	10%

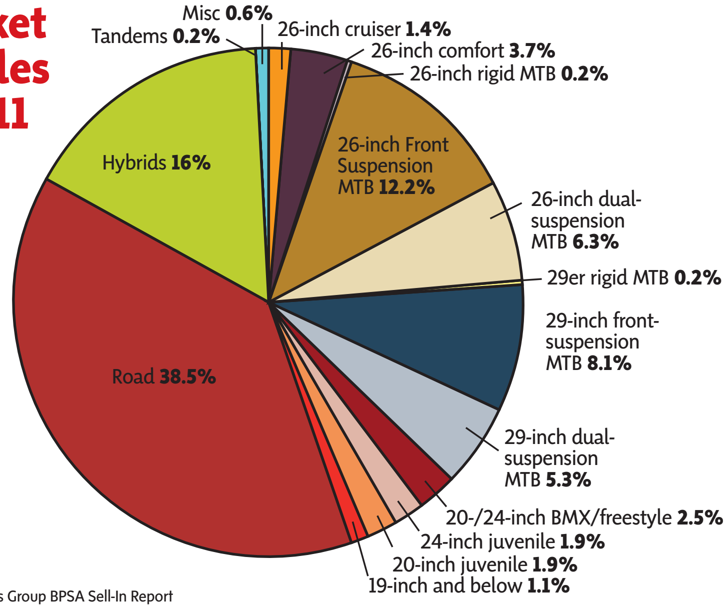
Source: U.S. Department of Commerce

U.S. import dollar market share by category



Source: U.S. Department of Commerce

U.S. market dollar sales share 2011



Source: Leisure Trends Group BPSA Sell-In Report

in Europe, Loughran is making further investment in America. Planet X will be consolidating its mountain and road operations—Titus and Planet X—in Portland, Oregon. Currently a distributor in Gap, Pennsylvania, runs Planet X USA under contract.

Yet in spite of new investment in the U.S. market, the numbers are clear. The average number of bikes imported in the five years leading up to the recession, 2002 to 2006, is 18,798,025. The five-year import average since the 2007 recession is 17,100,241, a shortfall of 1.7 million units. Last year's imports totaled 14,567,348, an additional 2.5 million units below this average.

Asian direct business growing. Last year was certainly a watershed for consumers buying composite frames directly from Asian suppliers. Two years ago comments on forums about buying carbon frames directly from Asian factories raised reservations about the quality of the frames and after-sale support.

Today, bike buyers ask which catalog number was ordered—and any anxiety about buying direct is lessened by a growing number of happy riders.

"Overall, I get the feeling we're right on the brink of the factory-direct wholesale option being relatively mainstream in the U.S. The wholesalers just have to take care of a few rough edges—web-based ordering interface—and it will be just like buying a frame from Competitive Cyclist," wrote "Hiro11" on a Roadbikereview.com thread titled "Chinese Carbon Thread and eBay direct version 6.0."

Ebay sellers "A_Baygoods," "Carbon Bicycle," "Carbonzone" and "Oemitem" are based in Hong Kong, and all offer a carbon 29er hardtail—including a carbon fork, seatpost, handlebar, stem and saddle—for $599, as well as other carbon frames from $389 to $700.

The sellers may have sold close to 14,000 frames over the last 12 months, according to eBay data.

And this is just the tip of the iceberg: There are more China-based eBay sellers of carbon frames and plenty of factories with consumer-direct websites like Gotobike.com, Dengfubikes.com and Greatkeenbike.com. BRAIN