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Heard On The Street

Fighting Jet Lag, One Strong Cup at a Time

If you're a Westerner working in Taichung, chances are you've sipped a cup of joe brewed by Terry Lin, owner of Caffé Terry in downtown Taichung—a quick walk from the Evergreen and Tempus hotels.

The coffee shop is well known among Americans and Europeans in town for business due its cycling-inspired décor and reputation for delivering “the best latte in Taiwan,” according to one American sales



Terry Lin

manager. The door handles are made from carbon fiber cranks, as are the bottle openers, and memorabilia from the Giro d'Italia drapes the walls. Lin imports Lavazza coffee from Italy—a real treat in the let's-call-it-coffee-challenged country of Taiwan—and broadcasts Grand Tours online for his customers.

Lin, a designer and former amateur racer, doesn't sell bikes, but he custom paints frames out back and leads group mountain and road rides from the shop several times a week.

Lin's reputation has grown so strong that Ride On now hires him to bring his operation to the Freshfields Resort to serve up lattes during the five-day event. Lin estimates

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Bicycle Retailer

AND INDUSTRY NEWS

Product Managers Flock to Taiwan for Taichung Bike Week



“We're making it easier for you to do business in Taiwan.”

—Steve Fenton (left),
Pro-Lite

Like swallows to Capistrano, product managers are flocking to Taichung for Taichung Bike Week.

About 1,500 industry members—mostly product managers—are expected to attend the mini-trade show, which runs through Wednesday, said Steve Fenton of Pro-Lite, a volunteer organizer of the event.

“There are many Westerners in Taichung right now,” said Fenton, a Taichung resident. He said several hotels in Taichung are sold out.

Bike Week has attracted at least 126 companies that are exhibiting at three Taichung hotels, and at the Ride On Taiwan event that took place at the Freshfields Resort on the outskirts of the city.

Many companies are attending Taichung Bike Week

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Boom in Emerging Markets May Leave U.S. Customers On Hold

Taiwanese bike builders are running full tilt, but it has nothing to do with the European or North American markets. Emerging bike markets, including Singapore, Indonesia and other Pacific Rim countries, are booming, and are tilting the market away from its traditional mainstays of North America, Europe and Japan.

While orders have

suppliers and factories smiling, tight production timetables mean lead times are lengthening and suppliers have little wiggle room to tweak production forecasts. And the word in Taichung is that it's going to complicate the ability of U.S. and European retailers to reorder during the season.

“At the end of 2008, our lead times were 30 days.

Now we are working with 90-day lead times, and demand continues to grow,” said Bill Shook, president of American Classic.

Crank Brothers is seeing a similar pattern, with lead times creeping up to five months, said Andrew Herrick, group director of Selle Royal, which owns the Crank Brothers brand.

“The bike business is

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Boom . . .

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global now. What's happening in Europe and the U.S. is only part of the picture," Herrick said. "Our sales are booming in Singapore and Indonesia. Bikes are a growing part of the culture there."

He added, "We're selling more into Indonesia than we are in Benelux. We're selling more into Singapore than we are in Japan."

In fact, the company's Steve Cuomo said, Crank Brothers is selling to OE customers in Indonesia for the first time.

Selle Royal is so bullish on the Asian market that in February, it purchased a majority stake in Justek's two saddle factories at Jiang Yin and Tianjin, China. The acquisition boosted Selle Royal's saddle production to 25 million units a year.

At Fox, high-end mountain bike demand is higher than ever before in Asia, Indonesia and South Africa, said Christoph Ritzler. Ritzler, who handles international sales outside of the Americas, said this demand is driving the company's sales of shocks to OE

customers.

Shook said the growing lead times are straining American Classic's wheel deliveries. In April, the company moved to a new factory in Taichung that was twice the size of its previous production facility.



Bill Shook

A key reason for the expansion was to lower the company's own lead times.

While the American Classic factory is running smoothly, Shook said his vendors—such as forgers, rim extruders and spoke suppliers—are so busy that their lead times to him have doubled, and

then tripled, within a year.

"The Americas—North and South—are still slow, but sales to our other global markets are taking off. And they are taking off for everyone, which is challenging all the vendors," Shook said.

Tight production schedules and growing lead times are the new normal and a long way from the idle factories and quiet production lines at Taiwanese builders just two years ago.

For retailers in Europe and North America, the view from Taichung carries some warnings. Suppliers say one reason they were pressing U.S. retailers so hard for preorders in August and September was to be prepared for the tight supply situation.

Even though the American market is soft, they say, retailers may not be able to reorder product during the production season. With Taiwan production spoken for and with lead times growing dramatically, suppliers may not be willing to warehouse bikes in the U.S. when they can sell them to Indonesia.

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Hayes Clears Away the Haze Surrounding its Products

Hayes Bicycle Group came to Ride On to send one message to the industry: We are ready.

The company has spent much of the last five years out of the limelight as it sought to mend the frayed pieces of the businesses it acquired over that period. Now, with its back office problems fixed, new product innovations coming to market, and with a new sales and marketing team at the helm, Hayes is looking for 2012 to be its coming-out year.

“There’s so much opportunity for the Hayes Group at the OE level,” said Adam Micklin, Hayes’ director of global sales, who is two weeks into his new job. “I think what dealers are looking for is to see our products on the bikes. When the dealers see that the Treks and Specializeds and Cycling Sport Group brands are all using Hayes products, it gives them confidence that there is strong market demand and strong belief in the quality of our products.”

Half the battle, Micklin said, is getting the meetings with the key influencers at the A level brands. That is happening. Last week, Micklin and the Hayes team had face time with North American market leaders Trek, Specialized, Giant and Cycling Sports Group. About 75 percent of Hayes’ business is OEM, mostly with B- and C-level brands in North America and top-tier European brands like Cube.

Micklin wouldn’t say whether the Ride On meetings led to new spec’, but said there is opportunity for Hayes.

The biggest hurdle is changing the perception among manufacturers, particularly since many rely on dealer feedback in making buying decisions, said Darren Campbell, vice president and general manager of Hayes.

“It’s tough to sell a dealer on how important it is to have top-quality manufacturing and delivery coming out of your factories in Asia. They want to see the top riders on the product on the front of magazines and the promotions going on so that is a significant challenge for us,”

“There’s so much opportunity for the Hayes Group at the OE level. I think what dealers are looking for is to see our products on the bikes.”

—Adam Micklin
Director of Global Sales



Adam Micklin (left) and Darren Campbell are ramping up Hayes’ marketing efforts.

Campbell said.

Hayes’ growing pains began around 2005 when the company acquired Manitou, Answer, Sun Ringlé and Wheelsmith Fabrications in quick succession. The brands, although attractive because of their strong focus on product design and engineering, came with baggage like warranty and quality control issues.

On top of that, Hayes was involved in an acrimonious trademark lawsuit with Muchachos International, its former brake manufacturer in Taiwan, which prevented it from using the Hayes name on Taiwan-made brakes. The two sides reached a settlement in March 2009.

To lay the groundwork for long-term viability, Hayes ended several manufacturing contracts for Manitou and built its own suspension factory in Taiwan. It also has established a contract brake manufacturing plant on the island, where it implemented assembly and quality control programs, and opened a Hayes-owned rim and wheel factory on mainland

China. Hayes also operates a factory at its headquarters, near Milwaukee, Wisconsin, where it makes Wheelsmith spokes and wheels and assembles the Manitou Dorado fork.

In 2009, the group refocused on its core strength of innovation and came to the market with new products across all five lines for the first time in four years. But it lacked the sales and marketing muscle to tell its story.

In the past year, Hayes has hired Scott Struve to head up marketing—the most experienced marketing director the company has ever had. It also hired Luke Musselman as OE sales account manager and Micklin to pull together sales for all five brands. Longtime Hayes employee Len Cabaltera remains OE sales manager for North America and Bernd Pflueger continues to head European sales.

With its team in place, the next 30 to 60 days will be key in getting the Hayes message to potential customers, Micklin said.

“The customers want to know who are we working with, who are our go-to people in distribution and OEM, and so forth. We want to make all of that very, very clear and give them tools to bring something to their customers from a sales standpoint,” he said.

Ride On Kicks Off Taichung Events



(Clockwise from left): Ride On ends today; A girl helps daddy put the demo bikes away; QBP's Rich Tauer (left) and Scott Thayer test FSA-equipped bikes.



There wasn't much riding going on at this year's Ride On, but there was plenty of business being done.

The long-running event kicked off this year's "mini-shows" Wednesday at its resort on the fringes of Taichung.

"The quality was higher than last year," said Jonny Mole, who organizes Ride On for its exhibiting companies. He noted that several big American and Taiwan brands attended Ride On that hadn't in the past.

Mole said as many as 350 product managers were expected to attend Ride On during its five-day run. The regular Ride On ended yesterday, but exhibitors are conducting a special "Taiwan Day" today for factory officials.

Some exhibitors said Ride On's attendance picked up near the end of the event.

"This year Ride On started earlier. Product managers don't want to stay longer so they go to last two days of Ride On,

then move to Bike Week, instead of coming earlier to attend first couple of days of Ride On," said Christoph Ritzler, European sales manager for Fox Racing Shox.

Ritzler said he expected to meet with product managers from some 125 brands while he was in Taichung. "It's very intense but productive," he said.

He said Fox officials were pleased by their customers' outlooks.

"Overall, the mood is better than I expected. We're seeing more demand in certain markets than before [Asia, S. Africa, some of Europe]," Ritzler said. "We've had such a strong year, we expected it to flatten off some." Despite some mixed messages from brands, "overall, it looks to be a great year right now," he added.

Adam Micklin, the new director of global sales for the Hayes Bicycle Group, said Ride On and Taichung Bike Week are late for U.S. product managers, with whom

Hayes has been already been working on spec' for several weeks.

"But from an international standpoint, this is an incredibly valuable event for the Hayes Bicycle Group," he said.

Mole said Ride On exhibitors plan to stay in the same location next year, despite pressure from Taichung Bike Week to consolidate the events closer to downtown. But he said Ride On would be interested in organizing a joint event with Bike Week.

"We are thinking about maybe a race or a Gran Fondo," Mole said. "Maybe we can start from downtown and come here."

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he delivers about 130 to 150 cups of coffee to blurry-eyed product managers and sales staff during Ride On, ensuring that they stay on during the hours of product presentations that take place each day.

Eyes on the Price

Pricing is always top of mind at Bike

Week as brand managers haggle over costs to try to get the most bang for the buck. This year, it seems more brands are showing up at Bike Week without new model year pricing firmly set as the ever-rising cost of commodities, and fluctuations in exchange rates, makes it increasingly difficult to predict costs.

One sales manager at a major component brand said he didn't want to deliver prices only to have to increase them mid-season. He'd rather wait a bit longer, and

be able to guarantee pricing for all 2012 production runs. He doesn't anticipate a price hike across the board, but perhaps a few small increases on select high-end products.

Another executive said he expected to see prices increase by about 8 to 10 percent, and bike suppliers would have to decide whether to downspec or try to get away with passing along the higher costs to consumer.

Asian Floods, High Demand Rub Tire Prices the Wrong Way: Up

Flooding in the main rubber-producing countries of Indonesia, Malaysia and Thailand is making it increasingly more expensive for the rubber to meet the road.

Rubber prices reached 30-year high in early November in the wake of the flooding, leaving tire makers scrambling for the stuff and making them anxious about price increases which they will have to try to pass on.

"The cost of rubber is increasing. You can blame many things for this—higher demand, a weak dollar—but most importantly [it's] the droughts and then floods that have destroyed many of the rubber trees in Indonesia and Malaysia," said Hulen King, Maxxis International's specialty tire division director.

The flooding could not have come at a worse time for the bike industry. Bike builders are in full production for 2011 model year bikes. They need tires now, not in four to six months when the

weather improves and rubber taps are flowing again.

And more than good weather will be needed to return rubber production to normal. The floods damaged trees and washed out roads, meaning there will be no quick return to normal, according to tire company officials.

Further complicating the rubber supply problem for the bicycle industry is the explosion in car sales to China and other Asian countries that has left car tire companies struggling to keep up, thus increasing competition for the smaller supply of rubber on the market.

"One car tire uses a lot of rubber, way more than is needed for making bike tires. So increased car production is creating a huge demand for rubber right now," said René Timmermans, Vittoria's sales and marketing manager.

Timmermans is unsure how the market will look in six months, but he expects rubber will be both pricey and

in short supply. And since the bicycle industry comprises such a small percent-

"The cost of rubber is increasing. You can blame many things for this, but mostly it's the droughts and then the floods in Indonesia and Malaysia."

—Hulen King, Maxxis

age of the global tire industry, it does not have the clout to be first in line when natural rubber returns to the market.

While oil-based synthetic rubber can supplement natural rubber production, it's no quick fix. The shortfall of natural rubber, coupled with high oil prices, has pushed the price of synthetic rubber to historic highs as well.

Taichung Bike Week Exhibitor Guide

Here's where to find Taichung Bike Week exhibitors:

EVERGREEN LAUREL HOTEL

Abus
ADK
Alex Global
American Classic
BEV International
Busch & Mueller
Chiih Chinn/Neco
ChinHaur/Rotaz
Cionlli
Clarks Cycle Systems
Cole
DT Swiss
Fallbrook/Nuvinci
First Bicycle Components
GIA Tech/Detec
GWA Energy
Herrmans
The Hive
Humpert-Asia International
ITM
Joy Industrial/Novatec
Kemco
Liuyih/Alligator
Marwi
Michelin

Ming Suey/Rider
N'Lock
Pillar Racing
Pletscher
Pro-lite
Quad Technologies
Selle San Marco
Sapim
Schwalbe
Shieny/Profile Design/Bellwether/Titec/Primo
Sinmat Technology/CEMA
SKS
Spank
Spinner
Sport Manie/S'Manie
Sugino
Sunny Wheel
Taya
Tektro
Token
Ultra Motor
Uni-Victor
WM Trading
X Pace

TEMPUS HOTEL

3T
Aprebic/Evo
Campagnolo
Cane Creek
Cinelli
Columbus
Continental
Controltech
Cosmic Sports
Deda
Ergon/Phorm
Formula
Fulcrum
Funn
Gates Carbon Drive
Kind Shock
KMC
Kore
Prime Aero
Prologo
Race Face
Reynolds
Ritchey/Syncros
RST
Satori
Selle Italia
Speedlifter

SRAM

Stevens
Supernova
Tange Seiki
Tenneco Marzocchi
Velo
VP
Wellgo/Xpedo
WTB
X-Fusion
Zoom

SPLENDOR HOTEL

Airborne
Alpina
Chen Whua/V-Grip
Chia Cherne/Jagwire
Co-Union/Ebon
DK City/EZpro
Genuine Products
Giant Light Metal
Jetset/Hsin Chuan
Ke Chiuan/ADD
Rotor Bike
S-Sun
Xiamen Hongji Weiye/Stren
Yaban Chain
Yantec/Prestine



Spank's Sven Mack (above left) talks bars with Marius Wrede of Acros; Canin Tseng hand out brochures on ADD brakes; and (below) taking a break at the Tempus.



Bike Week . . .

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for the first time as they attempt to get a handle on this fast-growing event.

"The great thing about this show is that you have already introduced your product and set up and qualified a relationship," said Peter Gilbert, vice president of sales for Cane Creek. "People you have appointments with are ready to do business. Unlike other shows, when we finish here we have orders."

Kind Shock is also making its first appearance at Taichung Bike Week.

"We recognize it's easier for product managers to meet with us in a group environment," the company's Rick Taylor said. "I don't know if we'll pick up new customers, but this makes it easier for our existing customers to meet with us."

Like many in Taichung, Taylor said the event is too late for most U.S. product managers but provides a good opportunity to meet with their European counterparts.

For the Americans, he said, "Everybody's really wrapping up before Thanksgiving. They're just fine-tuning things between

now and the Christmas holiday."

But Fenton said the timing is still attractive to many U.S. brands.

"Americans never really came to the show at this time of year, but they are definitely coming now. If you look at it, there are 150 companies here," Fenton said. "[Product managers] can come here for a week, have six or seven meetings a day and get the job done. They can't do that at trade shows."

Fenton, along with Katerina Rejchrtova of WTB Europe and Anna Wang, a Taichung city official, have worked for two years to transform what had been a

number of disorganized mini-shows into a larger, more cohesive event.

"It's been hard getting people from within the industry to work together. You can't believe how difficult that was," Fenton said. "It's nice to see the bike industry finally pull together."

He said the Evergreen Hotel, one of the event's hosts, expects to open another floor to Bike Week next year, allowing for another 50 exhibitors.

And bigger changes soon may be needed.

"Where is it going to be in two years' time? That's the question," Fenton said.



Bicycle Retailer AND INDUSTRY NEWS

Got news from Taichung Bike Week? Email or call our on-site reporting staff here in Taichung:

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