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Hubert Chen of K-T is spending millions of dollars to challenge Shimano in the front hub dynamo market.

# Taichung

# Special

# Bicycle Retailer

Issue Three

AND INDUSTRY NEWS

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## Heard In Taichung

### Taiwan Retailers Take Hit.

We've often reported in the pages of BRAIN on the upsurge in interest among the Taiwanese for cycling. And it's true that in recent years, more Taiwanese have parked their cars and ubiquitous scooters to give pedal power a chance. Giant and Merida, the island nation's biggest manufacturers, have eagerly opened hundreds of retail outlets throughout Taiwan in recent years. Others who



We don't think the signs are for motor bikes.

knew little about bicycles or retailing (or both) quickly pedaled themselves into the market, thinking it would be an easy way to make a buck. Well, folks, the Great Taiwanese Bicycle Bubble has apparently burst—a victim of the Great Recession, inexperienced retailers, easy credit,

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## 'Sunny and Friendly'

### Dinner with Who? Taichung Mayor Hu!



Top photos by Doug McClellan

The Mayor and the King: Taichung Mayor Jason Hu with Giant Chairman King Liu at the Taichung Bike Week dinner.

"It's very sunny and friendly in Taichung. It always is!" Taichung Mayor Jason Hu said with his usual ebulliance Tuesday night.

Hu hosted a dinner for a couple hundred Taichung Bike Week visitors and welcomed industry luminaries including Giant's King Liu and Merida's Michael Tseng.

The city this year boosted its support for the event and will spend more in future years to help organize and promote

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## Ideal: Downturn Is an Ideal Time to Build

Ideal's Michael Chen speaks for many in the industry when he calls the U.S. market a challenge. "It's been a tough year for everybody," said Chen, Ideal's vice-president of marketing for North America.

Chen, sitting in a conference room at Ideal's Taichung factory, said the company is taking advantage of the downturn to re-think its management strategies and to plan for an eventual upturn in the economy.

Ideal, which builds bikes for dozens of companies, including its own brands—Fuji, SE and Breezer—won't be ramping up production of high-end bikes any time soon, Chen said. "We see high inventory

and slow sales, but as a supplier we can play a key role in a recovery," he said.

As the 2011 model year looms, Chen said production

inquiries are primarily for low and mid-range price-point bikes. And the company has seen a dramatic increase in orders for steel frames, driven primarily by the urban commuter market. Ideal builds those frames in China.

For 2010, Chen forecasts relatively flat production. Ideal is one of three publicly traded bike companies in Taiwan, with Giant and Merida. Ideal has an annual turnover of approximately \$250 million.

Chen said the downturn has given Ideal's new executive management an opportunity to focus on cost reductions, quality improvements and



Photo by Marc Sani

Michael Chen

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# Flinger Flings Together New Line of Bamboo Fenders

They make fenders out of plastic and aluminum. So why not bamboo?

That's the idea at Sunny Wheel, a longtime Taiwan supplier of fenders, bells, chain-guards, baskets, carriers and other utilitarian accessories under the Flinger brand name. The company is starting production on a line of environmentally friendly bamboo fenders that are light, strong and renewable.

Senior Specialist Vivian Hsu



Vivian Hsu with one of Flinger's bamboo fenders

said the fenders would soon be available both for aftermarket and OE customers. Planet Bike is one of the distributors for the aftermarket version.

Hsu said the bamboo used in the fenders comes from Taiwan. Depending on the size of the finished product, Sunny Wheel uses two or three layers.

Compared to the wooden fenders the company used to make a decade ago, the new bamboo ones are a lot friendlier to the environment, Hsu said.

This year, Sunny Wheel introduced a line of plastic mudguards that come in a flat package. Users simply bend them into shape and snap them into a simple structure which attaches to the bicycle frame. The mudguards can be customized.

—Doug McClellan

## Heard in Taichung . . .

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too many stores (more than 3,500 by some estimates, on an island with fewer than 25 million people), and a dollop of supplier hubris. Retrenchment is now the name of the game, or so we're told. Taiwan does have more bike paths and more people using them, but the ubiquitous scooter remains king of the road.

**Taiwan's Fight Against Helmet Head.** We were surprised to come upon a guest editorial in the *Taipei Times* from a professor at the National Taiwan Ocean University. He argued against a proposed law requiring cyclists to wear helmets. It seems the injury rate for local riders is up, and authorities are considering a helmet mandate to lower the injury and death rate. The professor's arguments in a nutshell: Cyclist meets car; cyclist dies whether wearing a helmet or not; helmets encourage cyclists to ride like maniacs; make cyclists wear them and they won't ride—especially women; most injuries and fatalities are the fault of the cyclists anyway. Here's our take on these claims. We've been there, done that, and heard the same silly arguments. Get over it, Taiwan. Cyclists, put on your helmets!

**Weather Watching.** Your humble correspondent is a weather nut who traces his interest in the climate back to his days as a newspaper reporter, when a good weather story guaranteed him a front-page byline. He occasionally reminds BRAIN's staff (perhaps more than occasionally) that weather—sometimes more so than the economy—can have a huge impact on bicycle sales. So for those who didn't make it to Taichung Bike Week, and for those who've never visited Taiwan, the weather this week in December is generally gorgeous. Warm days, light blue skies, mild daytime temperatures, a breeze that's gusty at times, and cool evenings. No rain. Relatively low humidity. Great weather for a ride. Not that we've had time for one.

**Talk About a Bear Market.** When the long and exhausting international trade show season finally ends at Interbike, industry folks have different ways of blowing off steam. For Lynn Miles, an

American resident of Taichung who heads Muchachos, the end of this year's show season was an opportunity to do something he'd always wanted to do: hunt Coastal Brown Bear in Alaska. After a trip from Las Vegas to Alaska (via his American home in Minnesota) that rivaled the length of a jaunt to Asia, Miles ended up on a single-prop plane headed for Chignik Lake, on the Alaskan Peninsula. After landing on a gravel runway in 50-mile-an-hour winds ("I guess it was a rough flight as the two bush pilots lightly patted each other's backs after they cut the engine," he said) Miles and his companions spent the next 10 days in blowing cold rain.

He figures he passed up 50 or 60 bears while waiting for the right size and the right shot. "Everything must be just right in order to take the correct shot, as no one wants a wounded and angry brown



Photo courtesy of Lynn Miles

Lynn Miles and his 9-foot bear

bear roaming the Delta," Miles pointed out with some understatement. On the final day, Miles bagged a 9-foot bear. The hunt is conducted every two years on Native Inuit lands with tribal permission. Hunting fees go to the reservation and help pay for conservation.

**Oval Concepts Seeks a Fuji.** Look for Oval Concept products to grace Fuji and Kestrel bicycles in abundance for 2011. The Swiss company, which makes a variety of components including aero bars for triathletes (think Kestrel), could get a new lease on life. Keep an eye out for an announcement. Soon.

**Off the List.** We left Delta Cycle Corp. off of the exhibitor list in our Day 1 issue. Delta is showing its belt drive system at the Splendor Hotel this week. Drop by and say hi to Jeff Greenstein and check it out.

# K-T Dynamo Hubert Chen Tackles Shimano



**Hubert Chen**

Hubert Chen believes he has developed a front hub dynamo that could, over time, challenge Shimano's near dominance of this mostly European market. Chen is the first to acknowledge that Shimano produces a good product that's well recognized. But he is putting up serious money to challenge the Japanese giant. To date, he's invested more than a half-million dollars in developing a heavily

patented dynamo hub that he says weighs less, produces less friction and will cost less than Shimano's.

He has set aside manufacturing space in his factory in Taya, a city near Taichung, and is awaiting delivery on a half-dozen CNC machines that will set him back almost a half-million dollars each.



**HGW Dynamo**

And Chen has the expertise to mount a challenge. He manages Kun Teng (K-T), a

company founded by his father in 1947, which produces front and rear hubs for most major bicycle suppliers in the industry. A roster of hubs on display in the company's office reads like a Who's Who of the bicycle industry. K-T is recognized for its high quality and manufacturing prowess.

Still, taking on Shimano is no easy task. "This project has given me gray hairs," Chen said with a chuckle, adding that everything Shimano produces is heavily patented. In developing the hub, the HGW, he had to develop new approaches to avoid Shimano patents. Chen has filed patents

in the U.S., Germany, China and Taiwan.

Chen estimates that Shimano sells 5 million hub dynamos in Europe and another 4 million in Japan, not including other markets. In other words, there's room for competitors. Other dynamo suppliers include SRAM, Sturmey-Archer and Sanyo.

"We know the customers, but our problem is that we must go step-by-step. We can't accept big orders at first. We have to learn first. But our target is 200,000 units a month," Chen said.

—Marc Sani

## X-Fusion Pitches Quality for Price

With U.S. consumers clutching their wallets, Roger Bradford plans to up the ante and challenge powerhouse suspension brands like Fox, Rock Shox, Manitou and Marzocchi.

Bradford, a former QBP product manager, is out to build up the X-Fusion brand of forks and rear shocks. The line is owned and manufactured by A-Pro, a leading frame maker in Tachia, a town near Taichung.

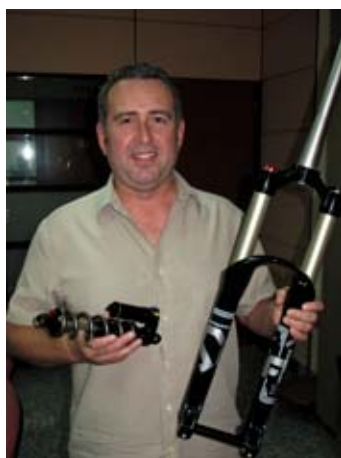
"We think there's opportunity out there," Bradford said as he discussed the company's 2011 model line. "Our goal is to compete against Fox, Marzocchi and others."

And with consumers ratcheting down expenditures, X-Fusion is touting a price-quality formula.

For example, aftermarket pricing for its revamped Velvet cross-country fork is \$395 with a 38 percent margin for dealers. Similar forks from its competitors typically retail for

several hundred dollars more with a 36 percent margin, he said.

Bradford acknowledged that the X-Fusion strategy can't last forever.



**Roger Bradford**

Photos by Marc Sani

"We want to be aggressive getting into the market, but pricing will have to go up at some point," he said. In Europe, however, X-Fusion's rear shock line currently ranks No. 2 in sales behind Fox.

A-Pro entered the fork market in 1999 with its Pro-Shock brand. It later changed the name to X-Fusion and has been wooing the mountain bike market ever since.

U.S. distributors of the X-Fusion line include QBP, BTI, Hawley and Cyclone, a relatively new distributor in Portland, Oregon.

Bradford is also putting more teams and competitive riders on the Velvet as well as its all-mountain Vengeance.

The Velvet is compatible with 650B setups. The line also includes an entry-level cross-country performance model, the Enix.

Bradford said the company starts production in May and will start supplying the aftermarket a month later.

"We're optimistic about the future of the brand. Once consumers discover that it works well, looks good and is priced right—that's our strategy."

—Marc Sani

## Ideal . . .

Continued from page 1

capital investment. The slow economy won't last forever, he added.

The company recently added a paint facility at its Taichung factory, now coming on-line. Once that operation is running smoothly, Ideal plans to add a new paint facility at its Dongguan, China, plant.

"We want to get it right here in Taiwan and then take that experience to China," he said.

Ideal currently operates three factories: Taichung, which employs 430 people and has the capacity to build 300,000 units; Dongguan, which employs 1,500 people and can produce 1.5 million units; and a troubled assembly plant for the European market in Kutno, Poland, which employs 250 people and has a production capacity of 200,000 units.

—Marc Sani

# Photos from Taichung Bike Week



Photos by Doug McClellan



Clockwise from top left:

Promoting a Funn product presentation at the Tempus hotel.

Taichung Mayor Jason Hu greets Bike Week participants.

Merida's Michael Tseng takes Daphne Chen of Wheel Giant for a dance, with the approval of SRAM's Hank Kao.

A string quartet performed at Tuesday night's dinner.

## Mayor . . .

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Taichung Bike Week, Hu said.

He added, with a laugh, "If I do not have enough budget to do

it bigger and better next year, I'm sure Giant will pay the rest of it, or Merida."

Show organizers said they hoped to bring the disparate groups under one roof next year.

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