

Page 2

Akslen spends heavily to make what it claims are the world's best bicycle lights. Now all it needs are customers.

Taichung Special

Bicycle Retailer

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Heard In Taichung

The Straight Poop. The latest issue of *Compass* magazine was waiting for us on our return to the hotel room yesterday. We were particularly intrigued by an article detailing the city's new "Dog feces collection and rewards exchange activity." Good Samaritans are encouraged to collect said feces from Taichung city streets and take them to designated collection points, to be "weighed and exchanged for gift cer-



tificates." Check out the happy guy in the photo with his bag of poop and his gift certificate. Christmas is right around the corner!

Consultant on the Run. Ed Benjamin is best known in the electric bike biz where he has been a well-paid consultant, or so he says, for some time now. (We believe him.) As a consultant he travels

Continued on page 3

Full Speed Ahead

TH Draws 1,100 to Factory Opening



Photo by Doug McClellan

Douglas Chiang listens to a speaker at Thursday's grand opening of the new TH Industries factory.

It started as a simple factory making hunting rifles. Now, TH Industries is known for its brand that is becoming an icon in high-end bicycle components: FSA.

On Thursday, TH owners Douglas Chiang and his wife, Yudi Wang, celebrated the grand opening of their new factory. Some 1,100 guests, including some of the top executives in the global bicycle industry, came to pay their respects.

Chiang paid respects to his father, Chiang Chiao-Hsue, who founded the company. He started working for the company in 1990.

For more photos of the grand opening, see pages 4 and 5.

Breaking Up Is Hard to Do with Shimano

Product managers at key bicycle suppliers are wrestling with uncertainty.

News Analysis

They are pondering whether to break up Shimano's new 10-speed mountain bike group for 2011 and spec cranks from independent component makers like FSA, Race Face and

others.

SRAM was the first this year to introduce a 10-speed mountain bike cassette coupled with its double-ring crankset. SRAM calls its 2x10 system "XX."

While product managers are reluctant to discuss the issue publicly, their concerns center on whether Shimano's chain, designed for the new narrow 10-speed drivetrain,

will work smoothly with other companies' cranks.

One product manager said no one has had a chance to test compatibility.

Therefore, placing orders for non-Shimano branded cranks now, only to find out later that they perform poorly with Shimano's 10-speed cassette and derailleur, could be a recipe for trouble.

These 10-speed systems

Continued on page 3

Bright Lights, Big Gamble for Akslen

Bicycle lights are an important accessory for many cyclists, but for Haoli Precision Industrial Co., they are a matter of life and death. Haoli, the maker of the Akslen brand, has rolled the dice and made an all-in bet on the bicycle light market.



Sanderick Chang

Its goal is to reach the top tier of light suppliers, along with such category leaders as CatEye and Busch & Mueller, within a few years.

“The global market for lights is very bright. It’s shining,” said Sanderick Chang, product and marketing manager and son of the company founder.

The strategy reflects a change of direction for Haoli, which celebrated its

30th anniversary in August. For most of its existence, Haoli manufactured camera parts and backlights for notebook computers.

Four years ago, the company shifted its focus. Haoli decided to exit those segments and focus on high-end bicycle lights. It slashed its Taiwan workforce by 60 percent and invested more than \$6 million in a new factory.

The strategy is not as crazy as it sounds, Chang said.

Today, he said, only about 20 percent of bicycles worldwide are equipped with lights. As more riders use bikes for other utilitarian purposes, Haoli expects the use of lights to perhaps double as more governments mandate their use.

Meanwhile, Chang said, the total number of bicycles sold in the world should gradually increase. Within 10 to 20 years, he said, sales of bicycle lights could double or even triple.

“It’s just like helmets 10 years ago,” he said.

At the same time, Chang said he expects competition will lead to a major shakeout of light brands, which he estimates consists of roughly 100 brands worldwide.

“In four or five years, maybe two-thirds of these companies will be gone,” Chang said.

When it comes to products, Akslen aims at the very top of the market. It owns three optical patents and uses the best raw materials.

Chang said a seemingly simple product like a bicycle light is no small investment.

“The development cost of one light is even higher than the development cost of a total bicycle,” he said. He estimated that the company spends as much as \$200,000 to design a model.

Chang said Akslen boasts brighter lights that use less battery power than its competitors.

As part of its factory makeover, Haoli invested about \$3 million in top-end CNC machines that required special export licenses from the Japanese government. “I told my father that for \$3 million, I could buy 30 Ferraris,” Chang said.

The Akslen name is still mostly unknown because the company works with a lot of new, smaller distribution companies. Chang said the company is seeking a distributor for the U.S. market that is willing to take a chance on a new name—in exchange for the possibility of a bright future.

— Doug McClellan

The Kids (Bikes) Are Alright at REI Outlets

REI’s Steve Gluckman was touring FSA’s new factory Thursday when the conversation turned to kids’ bikes.

Most specialty retailers would say the market is non-existent. Even mass market sales are significantly down.

But REI is seeing a boom in products for kids ranging from its \$94 Skuut Balance Bike to 24-inch mountain bikes from Marin, GT and its house-branded Novara line.

The Seattle, Washington, cooperative, with 105 stores nationwide, even sells 24-inch

Scott Sparks at a hefty \$549. Despite the economy, parents are buying high-quality bikes for their kids, Gluckman said.

“If you look at the numbers, imports are way down for kids’ bikes. But what we’re seeing in our stores is running counter to those numbers,” he said. Gluckman said he thinks parents may be spending more on their kids instead of themselves.

REI also tends to attract customers who are serious about their purchases and are seeking a level of quality and quality assurance, particularly when buy-

ing children’s products.

The fact that REI appears to be selling a record level of kids’ bikes bodes well for future company sales. “These are our future customers,” Gluckman said.

Overall, he said, REI has enjoyed strong sales this year, particularly in parts and accessories. Sales of cycling gear are almost on par with other categories of outdoor gear that the cooperative sells. REI sells a variety of FSA parts ranging from bottom brackets to chain rings.

— Marc Sani



Steve Gluckman

Photos by Doug McClellan

A Price War in Hydraulic Brakes Is No Darn Funn

Because of the uncertainties raised during a bitter lawsuit with the Hayes Bicycle Group, Lynn Miles and his Funn brake brand kept a low profile for two years.

told us that Shimano's lowered the prices, and they've been matched by other companies," Miles said. He can take slight comfort in the fact that Shimano isn't singling out brakes. According to many we've talked to in Taichung this week, Shimano is "making a statement," in the words of one senior executive, with aggressive pricing across the board.

To remain competitive in brakes, Funn intends to match those price decreases.

"This year, we've probably lowered pricing across the board by 12 to 15 percent," Miles said.

Funn makes hydraulic brakes for the cross-country/all-mountain segment, and beefier models for downhill and freeride bikes.

For 2011, Funn has patented a system that marries an aluminum hydraulic cartridge with a carbon fiber exterior.

"We form the carbon around the cartridge," Miles said. The combination allows Funn to shave some weight on the brake while maintaining the functional integrity of the piston and cartridge.

— Doug McClellan

Shimano . . .

Continued from page 1

target racers and other high-end enthusiasts who loudly trash systems that fail to perform. While the number of units sold at this level is relatively small, their impact on public perception of a company and a brand is high.

And Shimano's delivery schedule, another product manager said, indicates that the chain won't be widely available for compatibility tests until April or May—too late for companies wanting to wrap up 2011 spec.

But one U.S. sourcing manager attending FSA's factory opening said he believes that competitive component makers like FSA can deliver cranks that will work. Still, he said, it's a lingering concern.

In the past, Shimano's drivetrains have worked with other suppliers' products. Few companies, for example, spec full XTR groups. Instead, product managers have spec'd a mix of XTR, SRAM, FSA and other brands.

That's allowed suppliers to spec lower cost parts or, in some cases, higher cost parts like carbon fiber cranks to differentiate the look and price point for their bikes.

However, discussions with product managers appear to

confirm that Shimano is out to "make a statement" for 2011 at two levels—pricing and compatibility.

That will put increased pressure on Taiwan suppliers at all levels that, over the years, have niched Shimano's drivetrain with products of their own. And there will be pressure on other suppliers as well.

For example, one highly placed executive said Shimano is pitching its entry level hydraulic brake system for as little as \$20 per wheel. That's a price that will squeeze brake makers across the board.

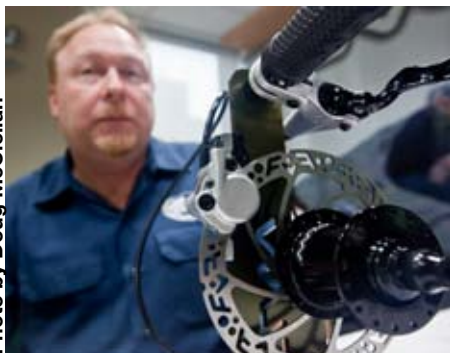
And Shimano's widely spec'd 105 group is getting good reviews for its price and appearance.

While price pressure from Shimano will force competitors to match or beat its pricing, consumers will find few companies raising bicycle prices in the U.S. on 2011 models.

And if Shimano drives pricing down as product managers report, that gives battered suppliers—still reeling from weak sales this year—an opportunity to add extra margin to the bottom line.

— Marc Sani

Photo by Doug McClellan



Lynn Miles and new Funn brake

"We were hibernating," he said.

After the two sides settled the civil suit in March for undisclosed terms, Funn is now trying to revive its presence in the market. But Miles, an American who lives in Taichung and runs Funn's parent company, Muchachos, said his small brake brand has woken up just in time to run smack into a price war.

(Hayes, meanwhile, is now involved in a patent suit with SRAM over its Stroker brake.)

Who's swinging the axe on 2011 prices? Apparently, it's the big kid on the block, Shimano.

"Product managers have

Heard in Taichung . . .

Continued from page 1

with three or four cell phones, hopscotching from the U.S. to Europe to Taiwan to China. Ed, however, is bullish on the future of e-bikes in the U.S. where sales are more akin to a pimple rather than a full-blown boil. (Although, to be fair, Ed would probably use a more positive term than "pimple" to describe the market.) Ed was heading to Shanghai this week when he started to get our e-newsletters on Taichung Bike Week. At the last minute, he told us, he rebooked his flight to work in a stopover in Taichung so he could check out pricing on e-bike components—stems, handlebars, seatposts, etc. (Yes, e-bikes need most of those things.) The

last we saw of him, Ed was heading for the Tempus with checkbook in hand.

Say Again? At the FSA party yesterday, an American bicycle executive asked a Taiwan engineer where his wife had gone. The engineer's response was precise and technically accurate, but his English was a bit unorthodox. "She's in the process of resurfacing her face," he said.

Over and Out. We hope you've enjoyed these Taichung Bike Week e-newsletters, and we'd love to hear your feedback about what you liked and what we could improve. Pop an email to Marc Sani at msani@bicycleretailer.com and tell him what you thought!

Exustar Begins U.S. Distribution

“Our goal,” said Exustar’s Jennifer Lin, “is to have everything for the cyclist from head to toe.”

A glance around the showroom of Exustar’s new office building shows that the company has reached its goal. The walls and shelves are filled with cycling products ranging from shoes to pedals, jerseys to sunglasses, and helmets to handlebar grips.

But Exustar is not well-known in the industry, although marketplace perceptions are slowly changing.

“The Exustar brand has been around for awhile without a big hoo-ha,” said Stephen Jack, a marketing consultant for the company.

The company got its start in 2002, when a group of executives at VP Components, the big Taiwan components maker, acquired what was then known as the Exus brand in a management buyout.

From its beginnings with a line of cycling shoes, Exustar has gradually expanded its product lines as well as its workforce. From six people in 2002, the company now employs 50. In November, Exustar moved to a new facility that is more than twice as large as its previous space.

Although some 30 percent of its business is OE, Exustar concentrates on the aftermarket.

But the global economy has had its effect on Exustar. Lin said sales are down by about 10 percent for 2009, although its distributors expect some growth for 2010.



Jennifer Lin

About half of Exustar’s business is in Europe, with another significant percentage in South and Central America. Like many young brands, however, Exustar has had a tough time gaining a foothold in the U.S. market. But that is changing. Earlier this year, the company inked a exclusive distribution agreement with Q Cycle LLC, a new company in Albuquerque, N.M. founded by Bill Imielski. Q Cycle began shipping Exustar products from its 6,000-square-foot warehouse in mid-July.



E-PR200CKTi pedal

One example of the high-end products Exustar produces is the E-PR 200CKTi pedal, an injected carbon fiber body wrapped around a titanium axle.

Each pedal weighs just 88 grams (3.1 ounces). A set retails in the U.S. for \$239.95, and production models have just begun shipping.

—Doug McClellan

Ibera Gains U.S. Foothold

For many Taiwan companies, establishing a unique brand in the U.S. market is challenging.

Massload—a company most product managers know well and everyone else has never heard of—is starting to gain a foothold in the U.S. under its brand name, Ibera. The company sells bike racks, bottle cages, bags, baskets, kickstands and other accessories in Europe, and now boasts a one-man office in Chicago headed by Robert Lu.



Photo by Marc Sani

Vanessa Lan (right) and Ansern Chiu, R&D manager

Vanessa Lan, Ibera’s sales agent in Taiwan, said the company has made accessories for several U.S. brands including Trek, Specialized, Giant and Cannondale.

At the upcoming Taipei show, Lan will show off a kickstand that’s integrated into a rear quick-release lever.

The company has two factories in China and one in Taiwan. Lan said sales in the U.S. have been difficult, but that’s changing. “I think business is starting to come back,” she said.

—Marc Sani

TH Factory Opening

More photos on back page.



Photos by Doug McClellan

Specialized’s Bob Margevicius (left) shares a laugh with Ying-Ming Yang of the TBEA.

Scenes from TH Factory Opening



Manuel Correia of FSA leads a tour of the new factory.



Yudi Wang listens as her husband, Douglas Chiang, speaks at the TH Industries factory opening while Matt VanEnkevort, general manager of FSA, looks on.

It takes a lot of fish to serve 1,000 luncheon guests.



George Lin of Pacific Cycles (left) in conversation with Giant President Tony Lo.

Photos by Doug McClellan

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See you next year at Taichung Bike Week!

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