

Bicycle Retailer

AND INDUSTRY NEWS

Heard in Taichung

Euros Trashed

The bedraggled people at Bike Week yesterday may have been Europeans recovering from their epic trips to Taiwan.

Sub-freezing temperatures and unexpected snowfalls across Europe screwed up many travel plans for folks trying to make it to Taichung.

Tom Kavanaugh, the publisher of the Taipei and Eurobike Show dailies, said that he was stuck for two nights in a hotel at the Dublin airport—just 20 miles from home—when the airport shut down because of snow.

Katerina Rjehrtova, WTB's European president, showed up yesterday after a trip that could only be described as tragicomic.

The first leg of her journey, a flight from Prague to Amsterdam, was diverted to Paris when Amsterdam Schiphol Airport was closed—and diverted again to Zurich when Paris shut down. Then it was back on the plane to a reopened Schiphol where she caught her flight to Asia.

Some 42 hours later, Katerina stumbled into her Taichung hotel at 3 a.m., desperate for sleep. (Need we add that her luggage had failed to arrive on her flight?) But the travel gods weren't finished with her: Three hours later, she was startled out of her sleep by a cheerful wake-up call from the front desk. Unfortunately, the call was supposed to go to a different room.

Hu Boy, That Was Close

Taichung Mayor Jason Hu was his usual ebullient self at last night's Taichung Bike Week dinner, which the city hosts. Hu had more than a few reasons to smile. Just 10 days ago, the former Taiwan foreign minister and U.S.-based diplomat won a third term in a squeaker of an election.

It's a big deal, because after Dec. 25 Hu will preside over the

Industry Receives Hearty Welcome



Taichung Mayor Jason Hu.

"I love bicycling!" Taichung Mayor Jason Hu proclaimed last night. "And I love the bicycle industry!"

Hu welcomed some 320 guests to the Taichung Bike Week dinner, which the city has hosted for two years. He noted how the number of Bike Week exhibitors has boomed since the first event.

"We had 60 participants the first year, last year there were 84 and this year 120," Hu said. "That's double the size of the first year. What growth in three years! I've asked the government to give you three times more food than the first year," he joked.

Along with Hu, members of Taiwan's "bicycle royalty" attended the dinner, including Giant founder King Liu; Merida president Michael Tseng, who also is chairman of the A-Team; and Ying-Ming Yang, president of Kenda and chairman of the Taiwan Bicycle Exporters Association.

Co-sponsoring the dinner was the Munich Bike Expo trade show.

Markus Hefter, show director of the two-year-old Bike Expo, said he hoped the show's presence in Taichung would attract new exhibitors to Munich next summer.

"Many brands see Munich as an opportunity for the future. A lot of brands want to come to Europe, and this could be an opportunity for them," he said.

For more photos of the Taichung Bike Week dinner, turn to page 5.

Merida Invests in New Paint Facility

Merida plans to add 200 employees at its Taiwan factory next year after it opens a multi-million-dollar paint and decal facility and adds an overnight shift to its assembly line.

The new three-level paint building, under construction at Merida's Changhua County compound, is scheduled to open in March, said Michael Tseng, Merida's president.

"The painting capacity is not enough. Today the

customer requires a high level quality paint, and today, there's a shortage," Tseng said at an interview yesterday at the Taiwan factory.

Merida, the island nation's No. 2 bike manufacturer behind Giant, produces aluminum frames in Taiwan primarily for Merida and Specialized. Carbon fiber frames are imported from its factory in China, then painted, decalated and assembled in Taiwan.

During the busiest times—



Michael Tseng

New Paint Facility

Continued from pg 1

typically the third and fourth quarters—employees weld up to 750 frames a day for those brands.

Between three main assembly lines and two shorter lines designated for smaller runs, 300 employees piece together 3,000 bikes every day. That's a bike every 30 seconds.

Only a portion of those frames are currently painted on site, with the rest outsourced to subcontractors. Tseng said the new paint factory would enable Merida to scale back its use of contractors.

The new space for painting, coupled with the addition of an overnight shift on the assembly lines, will boost factory capacity by 30 percent, Tseng said.

Tseng expects to find most of the new workers for the assembly line and paint facility from a population base of about 120,000 that is located within a 15-minute drive from the factory.

Taiwanese prefer to work close to home, he said, adding that the bicycle business doesn't face much competition for labor from Taiwan's other manufactur-

ing industries because of its stability.

"Workers know that with bicycles they're always busy. In other industries, sometimes it's good and sometimes it's bad," he said.

Currently, Merida employs about 900 in Changhua, including 160 Thai workers who live in on-site apartments.

Sales for Merida's Taiwan operations rose 8 percent in the third quarter. Tseng said he couldn't comment on the company's expectations for the year. He said the Merida brand is growing in Korea and Indonesia, where the company recently signed new distributors.

Sales are stable in traditionally strong markets like Germany, Australia, Spain, Russia and Norway, Tseng said.



Merida's new paint factory, now under construction, is scheduled to open in March.

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Aheadsets for All: Cane Creek's Design Patent Expires

In the excitement of the 1990 mountain biking world championships in Durango, Colorado, headset designer John Rader was hoping to interest a company in bringing his design to market.

Rader's headset design caught the eye of Cane Creek, then known as Dia Compe USA. Cane Creek licensed Rader's patent, which it branded as the "Aheadset." For the next 20 years, the Aheadset defined the company.

"We've offered other products over the years, but Aheadsets have remained our core business and will remain our core business going forward," said Peter Gilbert, Cane Creek's vice president of sales.

Things have changed, however. The patent that protected the Aheadset, U.S. Patent No. 5,095,770, expired in September. Now, anyone can market an Aheadset-style threadless headset without paying royalties to Cane Creek—and many Taiwan component manufacturers are doing just that.

Cane Creek retains ownership of the Aheadset trademark, however, and won't be licensing that to other makers.

With many component makers now offering threadless headsets, Cane Creek is exhibiting at Taichung Bike Week for the first time to ensure it maintains a voice with its brands.

It may be hard to imagine, but 20 years ago the success of the Aheadset was anything but assured.

"The system needed special stems and forks which were unavailable, so it was slow to get going," Gilbert remembered.

The company licensed the Aheadset design to a variety of manufacturers over the years. Four companies—FPD, FSA, Tange and VP—produced the bulk of Aheadsets for the OE market.



Cane Creek's 40-Series Aheadsets

"We've offered other products over the years, but Aheadsets have remained our core business and will remain our core business going forward."

—Peter Gilbert,
Cane Creek's
Vice President of Sales



Even though anyone now can build threadless headsets, Gilbert does not expect much change in the market. Matt VanEnkevort, managing director of FSA North America, agrees.

"For those of us licensing this technology over the years, we have attained an efficiency of scale that makes it hard for a new headset maker to capture a big part of the OEM market," VanEnkevort said.

The two largest potential players in the OEM headset market, SRAM and Shimano, are not expected to push threadless designs for 2012.

VanEnkevort expects the situation to be different in the aftermarket. The sheer number of unlicensed threadless designs on the market led FSA to temporarily suspend its Aheadset licensing agreement

in 2007.

Mass-market suppliers may take advantage of the patent expiration and adopt threadless headsets on lower-end bikes, but Gilbert is not sure the adoption will be quick or inevitable.

"For mass-market suppliers, everything is cost sensitive," Gilbert said. "Introducing threadless designs after all these years means designing new forks and stems, which adds cost."

Gilbert added, "The primary shortcoming of the design—the inability to move the stem up and down—is potentially a big issue for this market."

Cane Creek retains exclusive control of its Aheadset trademark and is disentangling itself from its former licensees.

"Every licensed Aheadset included the words 'Cane Creek' and 'Aheadset,' so when anyone had warranty or maintenance issues with an Aheadset, no matter who made it, we were asked to service it and we did," Gilbert said.

"We could have told dealers and customers they needed to get parts from the headset's maker—Tange, FSA, FPD or VP. But with our name on it we wanted to make the warranty experience as smooth as possible," he added.

Providing replacement parts and servicing warranty issues for its licensees was not that big a deal for the company, but Gilbert said there is little reason for Cane Creek to continue servicing its competitors' headsets going forward.

After all, he pointed out, that would be like calling Intel when you're having problems with your Dell computer.

Heard in Taichung

Continued from pg 1

newly merged city and county of Taichung, an area that has a population of some 2.64 million.

Hu, a member of the ruling KMT party, has a few fences to mend in the area. The Taiwan press reported that he won handily in the city of Taichung—but lost almost every township in the county. His 51 percent margin of victory was unexpectedly and uncomfortably close.

Hu is a bike-friendly mayor in a country where cycling has recently boomed in popularity. He's built several dedicated cycling paths and installed bicycle lanes on several Taichung streets.

Crank Brothers Meets Cranky Pants

Crank Brothers' Steve Cuomo is used to jamming on his trumpet with members of Dizzy Gillespie's old band. So it didn't take him long to find an unused piano at the Freshfields Resort, where he was staying for Ride On. Whenever Cuomo had some free time he would sneak off and play.

Unfortunately, it seems that security guards at the Freshfields didn't appreciate Cuomo's American jazz sensibilities. The guards kept kicking him off the piano.

They didn't know who they were dealing with. Cuomo's musical passions run so deep that, after a few days, he had figured out the guards' schedules, and he knew which ones would give him a little more time on the keyboard before they kicked him off.

Rotor Roots Around for Customers

It seems the word hasn't quite gotten around that the Splendor Hotel is indeed participating in Taichung Bike Week. The hotel was an 11th-hour addition to the event, but to the handful of exhibitors there, customers have been as rare as snow in Taiwan. It was so slow yesterday that the folks from Rotor saw only two customers in the span of five hours.

So they packed up their things and slapped a sign on their meeting room door directing customers to the far more lively—and sold out—Evergreen Hotel. Fortunately, Bike Week organizer Steve Fenton managed to squeeze them into a space.

Pro-Lite Unveils 'Cross, Track Bikes for Kids

Just like you can't paint a bike pink and call it a women's model, you can't shrink a frame and call it a kid's bike.

The geometry undergoes significant changes as the frame gets smaller, said Steve Fenton of Pro-Lite. Pro-Lite has made a name for itself with a 650c road bike, called "The One," which has been on the market for several years and is used by several cycling federations to train promising junior riders.

Now, Pro-Lite is introducing a 650c cyclocross bike and track bike at Taichung Bike Week.

"These are mini-racing bikes. These are not garden-variety geometries," Fenton said.

It isn't just small fry who may find the new bikes appealing, he said.

"Something that we've found is a whole bunch of women who want to ride track but can't ride 700c bikes," Fenton said. "They can ride this on the track with no problem."

As it does with all of its bikes, Pro-Lite makes essentially everything on the bike, with the exception of the chain and saddle. The frame, wheels, bars, stems, cranks are all manufactured in factories owned by Pro-



Pro-Lite's 650c lineup, from foreground: The One CycloCross, PL One Track, and existing The One road bike.

Lite, Fenton said.

The 'cross bike, called The One CycloCross, is modeled after Pro-Lite's Piemonte 700c bike, while the track bike, the PL One Track, takes its cues from the company's Espresso.

One of the most difficult aspects of making a 650c frame is shaping the chainstays, Fenton said. Because of the shorter distance between the bottom bracket and the rear hub, the chainstay tubing has to be flared at a sharper angle than on a full-sized frame. Fenton said Pro-Lite has learned how to accomplish that without weakening the tubing.

The new bikes are available now.

Pro-Lite is also debuting a new 700c track bike, the Pista, that will wholesale for only \$240. Like the other models, virtually all parts of the bike are made by Pro-Lite.

Fox Racing Shox Opens QC, Sales Office in Taichung

Fox Racing Shox has opened a regional sales office and quality control center in downtown Taichung to serve as a link to the company's factory customers.

Located on Port Road, Taichung's main artery, the office is headed by Gracie Ooi. Ooi, a Fox OEM sales rep, moved to Taiwan from the company's Watsonville, California, headquarters in the summer to run the branch.

Ooi and her sales staff of one assist the nearly 20 factories to which Fox supplies suspension products. They handle order processing, shipment coordination and general sales support.

Ooi previously handled the same accounts from California, where she had to deal with the 16-hour time difference. Being in Taichung improves her ability to respond.

"Now I can service them right away. If they need mounting hardware, cable guides or something, they call us up and we send it over," said Ooi, a native of Malaysia who moved to California 15 years ago to attend college.

The new quality control center is located in a separate building and is headed by Larry Clark, Fox's corporate QC manager. Clark splits his time between Taichung and California. He and his small staff check all parts sourced from Taiwan for quality before they're shipped to Watsonville for assembly.

The additional level of inspection aims to ensure that product won't be shipped across the Pacific, only to be returned to Taiwan because of quality problems. That can delay final delivery by as much as four weeks.

Although Fox developed a pre-shipment inspection scheme with its vendors, some components fell short of its standards.

"For us to be here, it's better. We can control the process better and we can react faster," Ooi said.

The Taichung office is Fox's first in Asia. The company also operates a European sales, product testing and R&D office in Bern, Switzerland.



Gracie Ooi

TAICHUNG BIKE WEEK DINNER



Eva Schlangenotto and Markus Hefer of the Munich Bike Expo, which co-sponsored last night's dinner. Bike Expo probably made a few friends by providing the beer for the dinner.



One of the musicians who provided the musical entertainment for the dinner.



Mayor Jason Hu (r) and Giant's King Liu address the Taichung Bike Week dinner.



Stella Yu of Velo.



Steve Fenton (left) of Pro-Lite and WTB Europe's Katerina Rejchrtova served as volunteer organizers of Taichung Bike Week.

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