Dutch tire maker looks for growth in U.S. bike market.

**Beyond racks:** Thule Group acquires Chariot Carriers.

**Q&A:** Marin's Bob Buckley looks back on 25 years.

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# Bicycle Retailer AND INDUSTRY NEWS

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## RETAIL RECOVERY: Specialty sales rebound from recession lows

By Nicole Formosa

The retail bicycle market returned to flat in 2010 signaling signs of a recovery from the economic hardships of 2009.

"It's clear to me it was a comeback year from 2009, which was a poor year," noted Fred Clements, executive director of the National Bicycle Dealers Association. "We still have a ways to go to get the market to a bigger size."

Industry revenue rose to $5.94 billion in 2010, up from $5.68 billion the year before, an increase of 4.6 percent and a return to 2008 revenue levels, according to the 2011 U.S. Specialty Bicycle Retail Study compiled by Jay Townley of the Gluskin Townley Group.

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## U.S. suppliers hope to impact new CEN standards

**"With CEN, ISO, ASTM and possibly CPSC—fingers crossed—working to mirror each other, a global standard may become a reality within the next five to 10 years."**

— **Stefan Berggren,** head of Trek's global standards and compliance department

By Matt Wiebe

WATERLOO, WI—While Europe is fast becoming the dominant market for U.S. suppliers, most have taken a back seat when it comes to influencing European bicycle standards that determine what they sell. But that's changing.

The European Committee for Standardization (CEN) is in the process of revising its standards for a range of goods—from toys, pesticides and equipment in nuclear installations to bicycles. And U.S. suppliers are counting on playing a bigger role in the revision of current bicycle standards.

Suppliers consider CEN a global standard because it is the most comprehensive set of technical standards at this time, and the European bike market is the largest global market.

CEN released most of the current bicycle standards in 2005, and the governing body is required to review them every five years. Based on this review, it determines whether revisions are in order. For this round, CEN is revising EN 14781 (racing bikes), EN 14766 (mountain bikes), EN 14765 (kids bikes), EN 14764 (city and trekking bikes) and EN 14872 (bike accessories, luggage racks).

One of the key areas of revision is the

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## Aero road takes off as new shapes hit market

By Nicole Formosa

SUN VALLEY, ID—In a product development timeline of bicycle innovations, Adrian Montgomery thinks the hash mark for 2011 will signify the year aero road bikes arrived for good.

Montgomery is so confident in the viability of the up-and-coming category that he believes aero-shaped tubes will replace round tube bikes in the future.

"I think aero road is here to stay. Right now it's at the high-end, but it's going to trickle down to lower models over the next couple years," said Montgomery, PR and marketing director for Scott Sports, which debuted its Foil aero road bike this year after testing an earlier version in the 2010 Tour de France under then Scott-sponsored pro Mark Cavendish.

Although Cervélo is credited with initially putting aero road bikes on the map, a bevy of brands have logged countless hours in the wind tunnel developing aero road bikes of their own in the past several years, bringing the concept to the forefront.

With mainstream companies like Specialized and its newly minted Venge, Scott and Felt with the AR series now in the market, aero road has been validated as a legitimate road sub-category.

Montgomery believes the interest of late speaks to the progression of engineers' carbon fiber expertise. It used

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# CEN standards

treatment of composites, including carbon fiber, as well as various component tests.

"The standards are OK for the most part, but some specific standards need tweaking and review of testing protocol," said Stefan Berggren, who heads Trek's global standards and compliance department.

Since he's an ISO (International Standards Organization) member, Berggren is allowed to be a member of CEN's TC333 Cycles committee, an umbrella for all cycling. But he's the sole U.S. representative on a CEN committee. Generally, U.S. suppliers are able to influence standards through a petition process.

Sam Pickman, who spearheads CEN issues for Specialized, and Berggren agree that specific areas like road seatpost and handlebar testing require changes, but that composite testing remains the single largest area that needs substantial revision.

"Carbon fiber is found on bikes of all kinds, but the current standards don't really address its use. CEN developed a very rigorous composite fork standard and that has been hugely positive," Pickman said. "But composite frames haven't received similar attention. For example, there is a very good fork front impact test but nothing corresponding for a frame, like a headtube impact test," Pickman added.

Berggren expects the revised standards to be published sometime in 2012 or 2013, and many components that pass the current standards will mostly likely pass the revisions, he said.

Berggren doesn't expect changes to the standards to greatly impact the way bikes and components are manufactured or disrupt the flow of supply.

"There is a composite working group, WG8, which I am part of that provides suggestions and information to the CEN working groups that will revise and update the standards," Trek's Berggren said. "There will be additional tests and some specific to composite materials. The biggest ones to be reviewed are wheels and forks."

Composites behave quite differently than metal components. For example, it's possible for a carbon part to survive an ultimate strength test but have torn internal layers that are impossible to see. A metal component would show external cracking. The revised standards will address differences between metal and composites behavior.

Beyond the U.S. market, CEN standards impact bicycle makers worldwide. China defers to CEN as its standard and the global International Standards Organization (ISO) is using CEN standards as it creates international bike standards.

"With CEN, ISO, ASTM and possibly CPSC—fingers crossed—working to mirror each other, a global standard may become a reality in the next five to 10 years," Berggren said. BRAIN

# Co-founder of Niner Bikes moves on

Steve Domahidy

TORRANCE, CA—For Niner Bikes co-founder Steve Domahidy, the decision to leave the company was one of the toughest he's ever had to make.

"To this day, it's like, 'Did I really make this decision?' Domahidy said. "For the first time in six years I can breathe at the pool with my kids, and have a little time for my family, which is really fantastic.

"I just felt like I've come to a place in my life where it was time for the next adventure," he added. "There's a potential opportunity for me outside the bike business that I might be looking at. But I'll be weighing options inside the industry as well."

Domahidy, who left the company last month, formed the 29ers-only company with co-founder and friend Chris Sugai in 2004. He worked out of Niner's Fort Collins, Colorado, office, which opened just over a year ago. Niner also has an office in Torrance, California. Each office has seven employees.

Domahidy, who headed up R&D for the company, said Niner is in good hands from a design perspective, with engineers like George Perry, who came to Niner about a year ago from GT Bicycles, leading the way.

"The thing that sticks out to me the most is the joy that people have riding my creations," Domahidy said. "It's truly remarkable."

Sugai said Niner would miss Domahidy's energy and contributions. "Steve is a big part of our current success," he said.

Domahidy said Niner Bikes has benefitted from the growth trend in the 29er category, posting substantial sales increases each year since it's been in business. *—Jason Norman*

Continued from cover

The study takes into account results from 392 retailers out of 2,146 polled. Sales in the specialty retail channel accounted for about $3.62 billion of that number, up from $3.12 billion the year before, a jump of 18 percent, and the highest figure since Gluskin Townley started the study in 2004.

The number of specialty retail storefronts decreased by 78, or 1.5 percent, bringing the number of retailers to 4,256, and marking a continuation of the last decade's steady erosion of storefronts. From January 2001 to January 2010, a total of 1,327 shops have closed in the U.S., a contraction of 24 percent.

Some of that is due to retail consolidation with multi-store chains closing one or two locations, Townley said. Most of the closures occurred in communities with 150,000 to 200,000 residents.

"We continue to see specialty bike retailer trade pulling away from smaller markets that obviously aren't supporting the retailer," he added.

Another factor in shop shutdowns was financial hardships, such as balloon payments coming due on loans that retailers couldn't pay or increased difficulty in obtaining business loans.

Townley said that while he doesn't believe the number of retailers in the U.S. from a decade ago—more than 6,200—is healthy, the point the market is at now is toeing the line of being unhealthy.

"We need to look very carefully at where the shops are. My concern is they're concentrated in the 120 to 200 top metro areas. We are leaving open these mid- to small-size markets," he said.

Even with a slide in the number of retailers, average gross revenue shot up 20 percent to $866,817, up from $722,826 in 2009, a combination of a rise in repair work and more sales of higher margin P&A items; retailers becoming smarter about pricing and inventory turns; and a result of supplier price increases passing through to the end consumer.

Townley also believes 2010 price increases and inflation in China affected the average unit retail value at specialty, which rose from $500 in 2009 to $525 last year, according to his compilation of data.

At specialty, sales of 700c road bikes surged, representing 23 percent of all bike sales, according to retailers surveyed, surpassing mountain bikes, which accounted for 22 percent. Hybrid bikes made up another 20 percent, comfort 13 percent, youth 12 percent, and cruiser 5.8 percent. Sales of recumbent, electric, folding and tandem bikes were scant, making up less than 3 percent combined.

There was little shift in the top brands retailers reported selling with Trek, Specialized, Giant, Haro and Electra leading the pack. Specialized moved into the No. 2 position from fifth last year and Raleigh slipped to the sixth position. Electra took a surprising leap from 10 in 2009 to 5 this year, most likely due to the expansion of its line beyond the beach cruiser to a flat bar 700c commuter-style bike, Townley said.

Unit imports into the mass channel climbed to 14.9 million, up from 10.8 million units in 2009, according to Townley's study. Retail dollars rose to $1.8 billion, representing 31 percent share of retail dollars.

Imports show that mass-market retailers brought in many more 20-inch wheel and smaller bikes last year, potentially in an attempt to replenish low inventory from the latter part of 2009, Townley said.

With 2010 on the books as a recovery year, 2011 could turn out to be a year of growth. Of the retailers surveyed by Townley, 64 percent said they expected revenue to rise this year and 30 percent said they expected sales to stay about the same. Considering those results, Townley predicts 5 percent revenue growth in specialty retail sales with estimated year-end revenue of $3.8 billion.

The NBDA's Clements said it's understandable that retailers would be optimistic about this year, particularly six months ago when they were polled, but now that the year is half over, the more realistic prediction is likely for another flat year.

"The economy's not that strong. We've had horrible weather in some parts of the country, which means a late start to the season," he said. BRAIN

## U.S. Bicycle Market Channels of Trade

### Apparent consumption 2008, 2009 and 2010 Estimated Units and Market Share of Dollars

| Channel | Est. 2008 Units (In Millions) | Est. 2008 Share | Est. 2009 Units (In Millions) | Est. 2009 Share | Est. 2010 Units (In Millions) | Est. 2010 Share |
|---|---|---|---|---|---|---|
| Mass Merchant | 13,747 | 74% | 10,868 | 73% | 14,970 | 75.5 |
| Chain Sport Goods | 1,115 | 6% | 595 | 4% | 1,187 | 6.0 |
| Bike Shops +OSR | 3,158 | 17% | 2,977 | 18% | 3,067 | 15.5 |
| Other | 371 | 3% | 447 | 3% | 594,836 | 3.0% |
| Total | 18,225 | 100% | 14,888 | 100% | 19,827,855 | 100.0% |

Source: Sources: U.S. Department of Commerce Import Statistics for 2008; 2009 and 2010 Gluskin Townley Group estimates for 2008, 2009 and 2010, excluding exports. OSR=outdoor sporting retailers

## U.S. Specialty Bicycle Retail Locations

### January 2002 through January 2011

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total U.S. | 5,505 | 5,358 | 4,982 | 4,704 | 4,599 | 4,451 | 4,394 | 4,319 | 4,256 | 4,178 |
| Variance Number of locations | -754 | -147 | -376 | -278 | -104 | -150 | -57 | -75 | -63 | -78 |
| Percent variance | -12% | -3% | -7% | -5.6% | -2.2% | -3.3% | -1.3% | -1.7% | -1.5% | -1.8% |
| Variance 2002 to 2010 | | | | | | | | | | -1,327 |
| Percent Variance 2002 to 2010 | | | | | | | | | | -24% |

Source: The Bike Shop List

## U.S. Bicycle Market

### Estimated Average Unit Retail by Channel of Trade 2008, 2009 and 2010

| Channel of Trade | 2008 Est. Average Unit Retail Value | 2009 Est. Average Unit Retail Value | 2010 Est. Average Unit Retail Value |
|---|---|---|---|
| Mass Merchant | $83 | $78 | $79 |
| Chain Sporting Goods | $255 | $235 | $239 |
| Bike Shops+OSR | $500 | $500 | $525 |
| Other | $425 | $350 | $355 |
| Total | $170 | $177 | $166 |

Source: Sources: U.S. Department of Commerce Import Statistics for 2008, 2009; and 2010; Gluskin Townley Group estimates for 2008, 2009, and 2010, excluding exports.

## U.S. Bicycle Market Estimated Consumption In Retail Dollars

### 2010 Total Market Share, Bicycles & Aftermarket by Channel of Trade

| Channel of Trade | Bike Shops + OSR | Mass Merchant | Chain Sporting Goods | Other (Including Hardware Chains and Independent Retailers, Mail Order and Internet) | Total U.S. Market |
|---|---|---|---|---|---|
| Bicycles | $1,610,437,945 49% | $1,183,138,011 36% | $284,331,441 8.6% | $211,166,656 6.4% | $3,289,074,052 100% |
| Parts, Rubber, Accessories including Clothing and Shoes (Excludes service labor and rentals) | $1,035,031,120 39% | $ 663,481,487 25% | $ 451,167,411 17% | $504,245,930 19% | $2,653,925,948 100% |
| Total Estimated Retail Dollars | $2,645,469,065 | $1,846,619,498 | $735,498,852 | $715,412,586 | $5,943,000,000 |
| Percent Share of Total Market Retail Dollars | 44.5% | 31.1% | 12.4% | 12% | 100% |

Sources: National Sporting Goods Association; The Gluskin Townley Group analysis and estimates.

# Suppliers hit $1 billion in sales as market seemingly on the upswing

**By Matt Wiebe**

Bike suppliers bucked the economic slowdown last year to post their biggest year since 2001. They shipped 2.65 million units to dealers worth a record $1.02 billion, according to year-end data supplied by the Bicycle Product Suppliers Association.

The total represents 5 percent growth in units compared to 2009 and 7 percent more than the decade average of 2.46 million units. And 2009 was hampered by shortages as the season broke early in the spring. Even though sales were strong in 2009, consumers kept close tabs on what they spent, like they did in 2008, impacting high-end road sales.

Much of the increase in 2010 came from 700c bikes. Road bike shipments were up 17 percent while hybrids were up 13 percent compared to 2009 among reporting BPSA members. The greater mix of these higher-value bikes drove record sales.

Losing steam last year were all 26-inch categories; 26-inch cruisers and comfort bikes were down 7 and 10 percent, respectively. And 26-inch mountain bike shipments to dealers dropped 8 percent or 52,714 units.

"We had an abnormally good March and April, which really helped. And looking at what sold, road bikes and hybrids, it's clear enthusiasts drove the year," said Chris Speyer, BPSA's president and Raleigh's vice president of product and marketing.

"On the other hand, the falling 26-inch categories, especially cruisers and comfort bikes, show that recreational riders slowed down their bike purchases within the IBD channel," Speyer added.

The BPSA broke out 29er sales from 26-inch mountain bikes for the first time in 2010. Overall, 29er sales still lag behind 26-inch. Still, suppliers shipped 74,402 of the big-wheeled bikes to dealers. That number more than offsets the drop in small-wheel mountain bike business.

Overall, bike imports hit 19.76 million units last year, the strongest in a decade and 33 percent over 2009, based on Commerce Department figures. BPSA members account for only 13 percent of overall imports, with other specialty suppliers and mass accounting for the remainder.

The bulk of these imports head to mass-market retailers such as Wal-Mart, which were aggressive about their business last year.

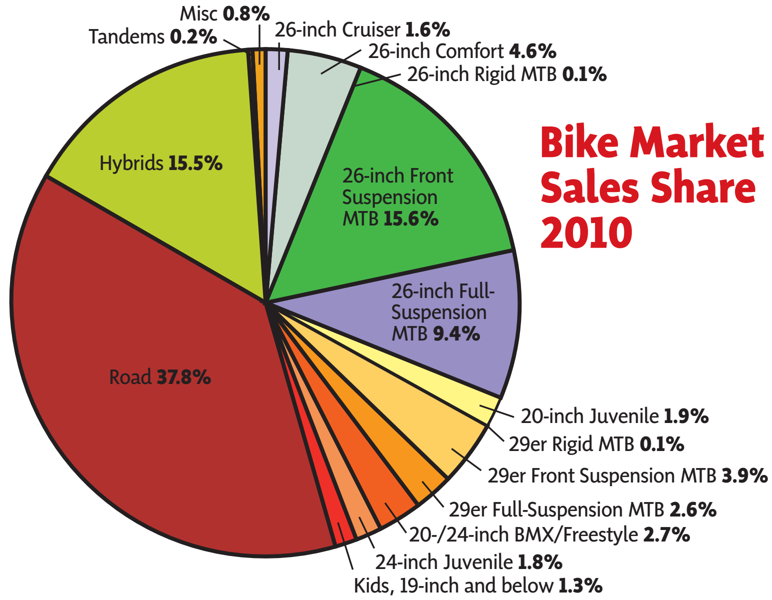
Commerce Department figures showed that 2010 was one of the biggest years for kids' bike imports with record numbers of sub-20-inch (6.32 million units) and 20-inch models (5.37 million units) hitting U.S. shores. Still, Wal-Mart, the largest retailer of bikes, is entering its third year of store-on-store sales declines.

With sales at the largest bicycle retailer down yet imports up 33 percent for the year, it stands to reason that many suppliers were left with unsold inventory.

As retailers including Wal-Mart struggled with bike shortages during the 2008 and 2009 holiday seasons, they increased orders early in the year to prepare for the 2010 holiday season. But holiday sales didn't measure up to forecasts. Wal-Mart, for example, reported store-on-store sales fell 2 percent over the fourth quarter.

"We were all hopeful that sales would be good and continued to hope for a good holiday season up until Dec. 15 when we realized that we could not recover from a weak October and November," said Arnold Kamler, Kent International's president. Kent is a major supplier to the mass channel, with offerings for both kids and adults.

Kamler said mass suppliers quickly cut back on imports this year and the inventory situation is returning to normal. He said sales through mass-market retailers last year were not as robust as the 33 percent jump in imports suggests. **BRAIN**




## Bike Market Sales Share 2010

## U.S. Bicycle Import Landed Average Unit Value

| CATEGORIES | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| KID'S SUB-20-INCH | $30.44 | $29.25 | $30.11 | $26.07 | $24.43 |
| 20-INCH | $45.84 | $39.30 | $42.69 | $35.98 | $38.86 |
| 24-INCH | $60.30 | $61.11 | $62.63 | $60.06 | $54.41 |
| 26-INCH | $101.01 | $105.36 | $106.65 | $93.39 | $83.99 |
| 700C | $284.78 | $284.36 | $274.09 | $232.90 | $251.99 |

## U.S Bicycle Import Units by Category

| CATEGORIES | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| KID'S SUB-20-INCH | 6,321,675 | 4,682,134 | 5,095,446 | 5,426,613 | 5,513,676 |
| 20-INCH | 5,374,343 | 4,282,929 | 5,590,241 | 5,404,990 | 4,895,612 |
| 24-INCH | 1,289,550 | 821,497 | 1,175,257 | 1,259,439 | 1,714,106 |
| 26-INCH | 5,316,420 | 3,829,805 | 5,294,668 | 4,918,550 | 5,080,160 |
| 700C | 1,323,584 | 1,221,288 | 1,795,972 | 1,099,461 | 858,767 |
| **TOTALS** | **19,765,572** | **14,837,653** | **18,451,584** | **18,109,053** | **18,062,321** |

## U.S. Bicycle Import Value by Category

| CATEGORIES | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| KID'S SUB-20-INCH | $192,460,397 | $136,930,864 | $153,423,676 | $141,494,076 | $134,677,469 |
| 20-INCH | $246,349,616 | $168,332,934 | $238,660,479 | $194,461,686 | $190,241,201 |
| 24-INCH | $77,756,631 | $50,201,346 | $73,604,064 | $75,636,836 | $93,264,138 |
| 26-INCH | $531,692,550 | $403,504,521 | $564,650,282 | $459,344,590 | $426,688,333 |
| 700C | $376,935,998 | $331,888,367 | $334,602,603 | $247,601,229 | $212,082,733 |
| **TOTALS** | **$1,431,391,656** | **$1,093,366,488** | **$1,370,383,419** | **$1,126,997, 205** | **$1,061,271,413** |

## Import Unit Market Share by Category

| CATEGORIES | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| KID'S SUB-20-INCH | 32.0% | 31.6% | 27.6% | 30.0% | 30.5% |
| 20-INCH | 27.2% | 28.9% | 30.3% | 29.8% | 27.1% |
| 24-INCH | 6.5% | 5.5% | 6.4% | 7.0% | 9.5% |
| 26-INCH | 26.9% | 25.8% | 28.7% | 27.2% | 28.1% |
| 700C | 7.4% | 8.2% | 7.0% | 6.1% | 4.8% |

Sources: U.S. Department of Commerce

Continued from cover

# Aero road

to be aerodynamic tube shapes had a lateral stiffness that caused a harsh ride.

"Now that we've gotten so good at working in carbon fiber we can essentially make any tube shape we want. We're not limited by any means," he said. "Carbon fiber is still maturing and in its maturation, people are learning to use it better."

Doug Martin, marketing director for Felt, which launched its AR series of aero road bikes in 2009, said aerodynamics have become a selling point for end users.

"Aerodynamics is a new characteristic that I think people are willing to shop for and potentially even willing to pay for," Martin said. Felt cut its teeth making solo effort TT and track bikes, and translated that knowledge into a road format for its AR series.

> **"There are a lot of aero improvements. It's the biggest jump we've made on the road bike from previous generations."**
>
> — **Phil White,** co-founder of Cervélo

Two years into that effort, aero sales are robust and Felt considers aero to be a standalone sub category under its road bike umbrella. It's anecdotal to be sure, but perhaps one gauge of the acceptance of Felt's aero road bikes can be found on its Facebook page.

"More aero road bikes are posted on our Facebook page than any single other road bike," Martin said.

Still, he says it's early to say how many consumers will migrate toward aero instead of traditional round tube bikes. For one, an aero road bike may offer a speed advantage, but there's also a weight penalty because a teardrop tube requires more material than a round tube. It's slight, but to some every gram counts.

"There's no way at this point to make shaped tubes or aero types light enough and still retain the stiffness you need for the bike to ride properly," said Chris Pic, manager of product development for Blue Competition Cycles. Blue also released its first aero road bike in 2009 with the AC1, a frame that tested 16 percent faster in the wind tunnel than its previous road frame.

Pic said aero frames are ideal for road racers, especially those who may find themselves off the front of the pack looking for an edge to hold the lead, as well as enthusiasts riding gran fondos or centuries.

Consumers, he said, seem to be latching on to the concept of an aero advantage.

Felt engineers work on the development of the AR Series in a wind tunnel.

"In the road category, we're actually selling better on the aero road than on the Xcino (Blue's high-end round tube frame), even though we're selling out of both," Pic said, adding that aero sales make up 65 percent of the road category. By volume and dollars, triathlon remains Blue's top category.

Pic said he sees a strong future for aero road and plans to release an updated version of the top-end AC1 SL this summer, a frame that's been in development for about a year.

In another testament to the viability of the category, its creator, Cervélo, will debut a new version of its S3 aero road bike this month at the Tour de France. The bike has been fully reworked, tapping into everything the company has learned since the original SLC-SL aero road bike hit the market six years ago, said Phil White, co-founder of Cervélo.

The result is a faster, lighter, stiffer iteration of the S3, a frame that's already touted as the lightest on the market.

"There are a lot of aero improvements," White said. "It's the biggest jump we've made on the road bike from previous generations." **BRAIN**