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“Decathlon Has Declared War”

NEUILLY-SUR-SEINE, France - Ten years ago, Bouticycle started as an initiative of French wholesaler José Alvarez. End of October, its nearly 140 dealers celebrated the 10th anniversary of the chain. Nevertheless, Bouticycle MD Alain Goetzmann was not at ease and in a festive mood: “We will close the year 15% down on 2004, and at the same time, the ‘big surfaces’ have announced that their overall results increase now already is 49%. Decathlon has declared War with a € 89 bicycle, plus its project in Chambéry. With Decathlon well-rooted in the bike distribution, they will topple the dealer’s position. This requires immediate action - we absolutely shouldn’t behave like ostriches, but fight for our share. Let’s forget the cheap bike, that’s past tense for us, and concentrate on the high-end bicycle, a thing of beauty. I’d like to make it clear to our competition exactly where we intend to go, with our competence, and with our dedicated workforce. Once we loose, it will be final for the independent dealers in France.” Bouticycle members take a share - no entry fee - in the capital of the NetHub group, and purchases 70% of their turnover from Bouticycle suppliers (Abus, Cyfac, Vitus, BMC, Nickel GT, MBK, Look, Easton, Castelli, Rudy Project, John Luck (shoes), Lazer, Tacx, Campagnolo, Shimano, SRAM, FSA, ITM, Mavic, Vittoria, Michelin, Selle Italia, Selle San Marco, Adidas, Chapak, Compex, Polar, Overstim, Power Bar, Source, Camelbak, Zefal, Ziener). Bouticycle supplies their members accounting software, payment facilities and generic publicity.



Alain Goetzmann & Fabrice Colas

EBMA: Official action is needed

Taiwan Reacts on ADD with Pieces of Paper

TAIPEI, Taiwan - Before the EC announced the anti-dumping duties (ADD) in July, Taiwan’s bicycle industry was on a roll, with some even talking about a return to the boom days of the early 1990s. If the numbers from the first five months of 2005 hold up, Taiwan will export over 5 million bicycles this year. Through the end of May, exports were already up 22% to 2.2 million bicycles with sales receipts up over 37% to US\$ 411 million (€ 348 mn).

It also means that the average unit price has climbed to unprecedented heights, US\$ 187 (€ 158) against US\$ 166 (€ 140) during the same period a year earlier. In other words, Taiwan’s strategy of throwing all its energy in a rock-solid high-end industry seems to be working.

But all of this good news about growth, revenues, and prices dates from before the new anti-dumping schedules. Following the announcement, makers are a little nervous about a possible backlash effect, namely that cheaper bicycles will come back to Taiwan, ruin the pretty prices, and then the EU will get suspicious and consider a new set of anti-dumping duties against Taiwan!

That this nervousness is not without ground, is confirmed by Brian Montgomery, Chairman of the European Bicycle Manufacturers’ Association. He points out that he is learning every day about new tricks from Chinese, Taiwanese and Vietnamese bike exporters to avoid the dumping duties. “All these tricks are now reaching a level, that we are taking



TBEA’s Ben Tan: nervous about cheaper bicycles coming back to Taiwan and EU getting suspicious and considering higher anti-dumping duties.

it all to the European Commission for a review and a possible upward adjustment of the current dumping duties,” says Montgomery. (more on EBMA on page 2). “The average price from Taiwan will go down,” predicts Ben Tan, supervisor general of the Taiwan Bicycle Exporters Association (TBEA) and also MD of his own company, Ideation Industrial Co. Ltd. “In the past, kids’ bikes [from Taiwan] were not competitive. They are just too cheap, so they were not manufactured here. But now with a 48.5% dumping duty against China-made bicycles, there are going to be some Taiwanese factories that say, ‘Yeah, why not? We’ve got five years. Let’s

give it a try.’ This will affect the average price tremendously. The European Commission should be aware of this kind of change,” he said.

With the new dumping schedule, it is estimated that complete bicycles from Taiwan will have at least a 4% price edge over those made in China, and maybe as much as up to 18% on those produced in Vietnam.

More on page 2

Trek: Plans for Plant in China

WATERLOO, USA - John Burke, Chairman of the Trek Bicycle Corp., recently announced that his company started selling bikes in China. He also indicated that Trek is planning to open a manufacturing plant there. The Chinese Trek facility is to cater for rising sales and these bikes cannot be produced at Treks Waterloo USA plant because it lacks capacity. China was selected instead of a US location because Trek needs to compete with other bike-makers who manufacture products there. Burke said at a recent business lunch with some of the biggest companies from Wisconsin.

He also pointed out that the Chinese consumer market represents a huge opportunity for Trek, that opened two retail stores in Beijing in September and has signed agreements with 20 Chinese dealers who will sell Trek bikes. The Chinese people are riding US\$ 50 Chinese-made bikes now, but soon, as they become more affluent, they will move up to US\$ 500 and 1,000 bikes, Burke said.

Trek, which will celebrate its 30th anniversary next year, has US\$ 600 million (€ 508 mn) in annual sales and 1,500 employees, including 1,300 in the United States, mostly in Waterloo and Whitewater. The company also has a plant in Germany, near Dresden. Burke also said at this business gathering that Trek has been approached by investment bankers who want to take the company public, but he’s happy to keep the business private. “We’re a small cap company,” Burke said. “We won’t get a lot of notice. And the markets will demand that you have profits quarter to quarter. In the end, you screw up the company. We can take the long term look.”

Switch in Sourcing: from Asia to Eastern Europe?

LUXEMBOURG - The enlargement of the EU by May 1, 2004 with 10 new member states has had big consequences for the European bike market. What happened right after the access of the new member states - mainly eastern European countries - is that the 15 ‘old’ EU countries started to import more bikes from them. And with the free access into the entire EU market for the products made in the new member states; they have halted the ever-growing import of bicycles from Asia! The 2004 figures from the EU customs data bureau Eurostat, make it very obvious that east-European bike is developing into a serious supplier of bikes. Almost 40% of the total bike import into the EU-25 now stems from European countries - just a year ago that figure was 10% lower. The 25 EU countries imported a grand total of almost 16

million bicycles. Around 1,9 million more than in 2003, which constitutes a rise of over 14%. Within these overall figures, the growth of imports from other EU countries is clear. The 25 member states imported a total of 6,2 million bikes from each other. In 2003 the figure was 4,4 million units - a growth of 42,5%.

Remarkable is also the fact that price obviously was not the issue when deciding to source from either Asia or Europe. The average price of an imported bike from Asia was € 67,16 in 2004 - a bike imported from Eastern Europe costs € 119,90: almost 78% more expensive! It seems that producing ‘close to market’ outweighs the huge price difference. A complete report on the EU-25 bike imports, production and consumption is on

pages 12 and 13

Giant Appeals EU Duties on Vietnamese & Chinese Imports

TAIPEI, Taiwan - Giant Manufacturing Co., Taiwan’s biggest bicycle maker, filed a lawsuit contesting the European Union’s anti-dumping duties on bicycles from Vietnam and China. Subsidiary Giant China Co., located in an industrial park in Kunshan, a city near Shanghai, wants Europe’s second-highest court to overturn the five-year ADD of 34.5% against Vietnam and of 48.5% against China.

Vietnam’s share of the EU bicycle

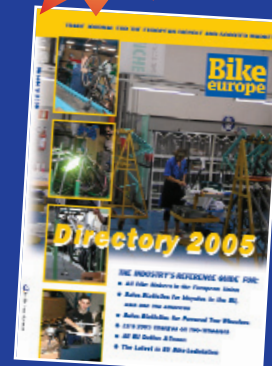
market grew to nearly 9% last year from about 2 % in 2000, while China’s share expanded to 4% from less than 1%. The average price for a bicycle in Europe fell 7 % to € 115 a unit in 2003 compared with 2000, according to the EU, which said the market share of European producers fell to 51% last year from 67% four years earlier. The case, filed Sept. 23 at the European Court of First Instance in Luxembourg, is T-372/05 Giant (China) v Council.

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