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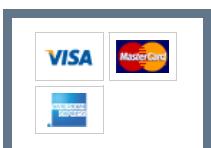
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INDUSTRY OVERVIEW 2012

2012 - The NBDA Statpak

A Look at the Bicycle Industry's Vital Statistics

2012 was a solid year for the U.S. bicycle industry, with direct effect sales of \$6.1 billion, including retail sales of bicycles, related parts and accessories, through all channels of distribution.

The source is the U.S. Bicycle Market 2012 report prepared for the NBDA by the Gluskin Townley Group. (For more details on this study, click [HERE](#).)

The size of the industry has remained remarkably stable since 2003, with sales between \$5.8 billion and \$6.1 billion each year (the exception being the recession year 2009). For comparison purposes, the industry's size is projected at \$5.3 billion in 2002, \$5.4 billion in 2003, \$5.8 billion in 2004, \$6.1 billion in 2005 (an all-time high), \$5.8 billion in 2006, \$6.0 billion in 2007, \$6.0 billion in 2008, \$5.6 billion in 2009, \$6 billion in 2010, \$6 billion in 2011, and \$6.1 billion in 2012.

There has also been a trend toward more bicycle retailers selling used bicycles. In 2012, an estimated \$1.1 billion in used bicycles were sold through bike shops, mass merchants, sporting good stores and other retailers, bringing the total size of the bicycle business to \$7.3 billion. This was a 19% increase in used bicycle sales from 2011. This does not include private party sales of bicycles or accessories.

Bicycle unit sales (for all new bicycles, and for those with 20-in. wheels and above) for the U.S., including both the dealer and mass merchant channels are as follows. Please note that these figures reflect market consumption based on import statistics and estimates of domestic production. They do not account for inventory at the retail and wholesale levels.

Year	Bicycles Sold (Millions) 20" and above wheel sizes	Bicycles Sold (Millions), all wheel sizes
2012	13.0*	18.7*
2011	11.0*	15.7*
2010	13.5*	19.8*
2009	10.2*	14.9*
2008	13.4*	18.5*
2007	12.8*	18.2*
2006	12.7*	18.2*
2005	14.0*	19.8*
2004	13.0*	18.3*
2003	12.9*	18.5*
2002	13.6*	19.5*
2001	11.3*	16.7*
2000	11.9*	20.9*

1999	11.6*	17.5*
1998	11.1*	15.8*
1997	11.0*	15.2*
1996	10.9	15.4
1995	12	16.1
1994	12.5	16.7
1993	13	16.8
1992	11.6	15.3
1991	11.6	
1990	10.8	
1989	10.7	
1988	9.9	
1987	12.6	
1986	12.3	
1985	11.4	
1984	10.1	
1983	9	
1982	6.8	
1981	8.9	
...1973	15.2 (record high)	

Source: Bicycle Manufacturers Association, and apparent market consumption based on U.S. Department of Commerce import statistics, and estimates of domestic market production by National Bicycle Dealers Association and Gluskin Townley Group, LLC.

* indicates projected figures

DISTRIBUTION CHANNELS

Bicycle sales are accomplished in this country through five primary and distinct channels of distribution — specialty bicycle retailers, mass merchants, full-line sporting goods stores, outdoor specialty stores, and "other," which is comprised of a mixture of retailers (including Internet sales).

Department, discount and chain toy stores (mass merchants) sell mostly price-oriented products. Approximately 74% of bicycle units were sold through the mass merchant channel in 2012, representing 30% of the dollars due to the average selling price of \$78. This channel's market share trend line was up from 2011 in new bicycle sales.

The approximately 4,100 specialty bicycle retailers commanded approximately 15% of the bicycle market in terms of unit sales in 2012, but 52% of the dollars, a dominant dollar share. Dealer price points generally start at around \$200, with the average at \$673, though prices can range into the thousands. While the number of specialty bicycle stores has declined in recent years due to consolidation, they are responsible for approximately the same amount of business through these fewer (but larger) stores today. This is the only distribution channel that maintained or increased average retail bicycle selling price in recent years. This channel's overall share was down in 2012 compared to 2011 in new bicycle sales, as was the average selling price. It should be noted that new bicycle sales represent about 42% of the revenue for the average specialty bicycle retailer, with parts, accessories, service/repair, rentals and fitness equipment sales comprising the rest. Specialty bicycle retailers as a group feature quality merchandise, and add value through services such as bike fitting, assembly, repair, and community involvement.

Chain sporting goods stores sold approximately 6.5% of the bicycles in 2012, and 8% of the dollars, at an average price of \$240. These are merchants that fall somewhere between mass merchant and bicycle dealers on the spectrum, and include stores such as The Sports Authority, Champs Sports, JumboSports, Sportmart and Big 5. This channel's overall market share was flat 2012 compared to 2011.

Outdoor specialty retailers sold approximately 2.5% of the bicycles in 2012, representing 7% of dollars and an average retail selling price of \$574. This channel's trend line is slightly up.

The "other" category sold 2% of the units, representing 4% of the dollars, with an average price of \$345.

CYCLING PARTICIPATION

39.3 million Americans age seven and older were estimated to have ridden a bicycle six times or more in 2012, according to the *National Sporting Goods Association*. This number was flat as compared to 2011. The peak participation year was 1995, with 56.3 million participants. It should be noted that the age limit on this number eliminates millions of young people who ride bicycles with wheel sizes 19" and under.

Cycling is often cited as the seventh most popular recreational activity in the U.S., behind exercise walking, swimming, camping, fishing, exercising with equipment and bowling. Though overall bicycle use has been flat, several studies have shown an increase in bicycle use for commuting and utility use.

However, bicycles and related products continue to appeal primarily to a recreation market in the United States. NBDA research conducted by the Bicycle Market Research Institute in 2006 reported that 73% of adult cyclists rode for recreation, 53% for fitness, 10% for commuting, 8% racing and 6% sport. The figures add up to more than 100% because some ride in multiple ways.

Riding for transportation clearly establishes cycling as a legitimate part of the nation's transportation mix. The industry, as well as cyclists across the country, have advocated for streets and roads to be made friendlier to bicyclists and pedestrians in recent years. Bicycles are important not only as vehicles to make an entire trip, but as connectors for short trips from mass transit. Several cities and companies have instituted bike sharing programs that allow people to borrow a bike for transportation and return it later.

Cycling facilities construction has been strong in recent years, with both pedestrian and bicycle facilities receiving good support from the government including the excellent "Safe Routes to Schools" program. Better facilities continue to be an important factor in the industry's growth, as cyclists seek safe and well-designed places to ride. Good infrastructure is vital so Americans can pursue a clean and healthy transportation alternative that is both practical and affordable. Bicycle use continues to be a potential solution for improving peoples' health, reducing use of fossil fuels for transportation, as well as contributing to more livable communities, at a very modest cost. More on the movement to help build cycling into the nation's transportation infrastructure is available from the Bikes Belong Coalition, www.bikesbelong.org.

RECENT HISTORY: OVERVIEW

The industry's high point, in terms of unit sales, was the so-called "bike boom" in the 1970s. The boom ended suddenly when the industry reached a rapid saturation point and did not have breadth of product choices to sustain sales levels.

Today, the industry has a much stronger foundation, with an estimated 2,000 companies involved in manufacturing and distributing cycling products to retailers, and approximately 150 different bicycle brand names to choose from. A wider variety of product is being sold to a wider range of consumers than ever before. Since the "boom," no part of the bicycle has remained unchanged, with fundamental improvements in design and materials being the norm throughout the industry.

Today's quality bicycles are more comfortable than ever before, the components more function-specific and reliable, and new and exciting features are introduced regularly. This allows professional retailers many options to match the right bike to each consumer — male or female, big or little, frequent or infrequent rider, status-conscious or not.

The success story of the mountain bike has been the focus of much of the specialty industry in recent years, with mountain bikes representing about 25% of all bicycles sold in the year 2012 by specialty bicycle stores (represented in bicycle stores, not mass merchants). This figure has been relatively stable this decade, but down from the high point of approximately 60% in the boom years of the mid 1980s. Mountain bikes continue to be a major bicycle category for specialty bicycle stores. The decline may also be somewhat misleading, because the "comfort bike" category could actually be considered a subset of the mountain bike, and these bikes are comparable in many ways to low-end mountain bikes. "Comfort" bicycles look a lot like mountain bikes, but feature soft saddles, more upright seating position and easier gearing than the traditional mountain bike.

The next largest single bicycle category in 2012 at bike shops was hybrid bikes, followed by road bikes at 20%, according to the annual retail survey published by the NBDA. The unit sales trends by category are below.

Specialty Bicycle Sales By Year, Units, 2005-2012

TABLE 39
Bicycle Sales by Category (Percent Share)
2005 - 2012

	2005	2006	2007	2008	2009	2010	2011	2012	Change '12 vs. '11	Change '12 vs. '05
Mountain bike	29%	24%	25%	26%	24%	22%	23%	25%	+2	(4)
Hybrid/cross	14%	19%	17%	18%	21%	21%	20%	24%	+4	+10
Road/700c	16%	18%	21%	20%	20%	23%	24%	20%	(4)	+4
Comfort	14%	17%	15%	16%	15%	13%	14%	13%	(1)	(1)
Youth	15%	14%	12%	12%	13%	12%	12%	12%	—	(3)
Cruiser	6%	6%	7%	6%	6%	6%	6%	5%	(1)	(1)
Recumbent/Tandem	2%	1%	3%	1%	1%	2%	1%	2%	+1	—
Electric	n.a.	n.a.	n.a.	n.a.	n.a.	0.6%	0.3%	0.5%	0.2	n.a.
Folding	n.a.	n.a.	n.a.	n.a.	n.a.	0.2%	0.4%	0.4%	—	n.a.

Source: U.S. Commerce Department statistics, Gluskin Townley Group estimates.

THE FUTURE

The outlook for the future in bicycles is very positive, though stability is the story of the recent past. The bicycle industry is a seasonal business that can be impacted by unusual weather, as well as an industry that relies on discretionary spending impacted by economic conditions. Industry sales of bicycles seem to be stable at around 15 to 20 million bicycle units annually, plus parts, accessories and service, which historically is a very healthy number for the industry. National trends related to the green movement, environmental sustainability, the need to

address health problems related to inactivity, and higher gas prices also bode well for the future of human-powered transportation.

The federal government has also budgeted significant transportation money for construction of bicycle-specific facilities such as bike paths and road improvements friendly to bicycles in the coming years. This is another sign of the emergence of bicycling as an important form of transportation. Making a more bicycle-friendly America is one of the industry's key initiatives going forward (see www.bikesbelong.org). Even in tough times, governments at the federal, state and local levels continue to include support for bicycles and pedestrians, and momentum seems to be building to support non-automotive modes of transportation.

New niche markets also exist and continue to have great potential, including electric bicycles. Others to watch are recumbent bicycles, folding bicycles and urban/utility bikes.

IMPORTS AND DOMESTIC

The U.S. bicycle market is dominated by imported bicycles. In 2011 it is estimated that 99% of the bicycles sold in the U.S. were imported from China and Taiwan, 93% from China and 6% from Taiwan.

There are several companies that operate in the mass merchant channel including -- Dorel (Schwinn, Mongoose, Roadmaster), Dynacraft (Magna), Huffy Corp. (Royce Union), Rand and Kent. Virtually all of these bicycles are imported from China.

Companies specializing in bicycles for the independent bicycle dealer channel of trade include the so-called "Big Three" of Trek, Giant and Specialized (in order of market share estimates). Other top players include Redline, Raleigh America, Haro and Electra, in order by estimated unit market share.

There is little brand crossover between these channels for most of the brands cited, though the Schwinn brand is now seen in both mass merchants and specialty stores with different models. Otherwise, it is uncommon to find brands from one channel being sold in stores from the other in any great numbers.

Domestic production of bicycles in the U.S. is estimated at approximately 56,000 units. Aside from the frame, significant bicycle content often includes imported components (drivetrains, wheels, tires, bars, saddles, etc.) from companies such as Shimano, and SRAM. There are dozens of smaller U.S. bike makers — over 100 brands in all, and many do domestic manufacturing at some level.

With so many quality bicycles sold through the independent bicycle dealer channel of trade being imported, the U.S. bicycle dealer network — as well as consumers — rely heavily on free global trade for merchandise. Bicycle components, including drivetrains, derailleurs and brakes, are frequently manufactured in the Far East, with Shimano being the largest manufacturer.

*Numerous sources were used for the above analysis, including figures from the United States International Trade Commission investigation, Bicycle Manufacturers Association, U.S. Department of Commerce Import Statistics, National Bicycle Dealers Association, and Jay Townley and Associates.

THE PROFESSIONAL DEALER

According to recent research from the NBDA (2011), the average specialty bicycle retailer had gross annual sales of \$866,817 up from an average of \$550,000 in 2005. The typical specialty bicycle retailer did business from a store about 5,000 square feet in size. 84% of them had one location, and 92.8% had no more than two locations.

The average bicycle dealer's revenue was 47.4% bicycles, 35.5% parts and accessories, 10.7% bicycle repair, 0.8% bicycle rental, 1.9% fitness equipment and 3.5% "other." The average store sells approximately 650 bicycles per year, carries five bicycle brands (though not all in great depth), and numerous accessories brands. Recent trends are toward consolidation with retailers carrying fewer bicycle brands, sometimes at the urging of their suppliers who want more representation for their products. Gross margins on bicycles average about 37%, though the break-even point has been shown to be 38.6% for the average store (the average "cost of doing business"). Margins on hardgoods are generally higher than those for bicycles (48% gross margin).

The specialty bicycle retail channel has faced consolidation in recent years, as the following chart courtesy of The Bike Shop List (www.thebikeshoplist.com) illustrates:

Year	Number of Specialty Bicycle Retail Locations
2000	6,195
2001	6,259
2002	5,505
2003	5,358
2004	4,982
2005	4,704
2006	4,600
2007	4,451
2008	4,349
2009	4,319
2010	4,256
2011	4,178
2012	4,089

While the number of physical stores has clearly declined, specialty bicycle retailers still sold approximately 3.1 million bicycles in 2011 -- a historically healthy number. This leads to the conclusion that the stores are becoming larger on average, with similar sales volume through fewer stores.

SOURCES

Some other sources of information on the bicycle industry are:

TRADE MAGAZINES

Bicycle Retailer & Industry News, published by the NBDA, 25431 Cabot Rd. Suite 204, Laguna Hills, CA 92653, phone 949-206-1677, website www.bicycleretailer.com.

Outspokin' (See below - Members-only newsletter published by the National Bicycle Dealers Association).

CONSULTANTS

Alpha Sports Associates, Al Budris, 831-648-1522 (Business Consulting & Valuations and Go to Market Strategies)

Coffrin Group, Gary Coffrin; 408-225-1040 (Business consulting and services, market research)

International Cycle Works, Thomas Prehn; 303-473-0007.

Interskill, Thomas Franges; 415-455-9735.

Jay Townley & Associates & Gluskin Townley Group, Jay Townley; 608-666-2062.

The Mann Group, Dan Mann; 828-645-0974; www.manngroup.net

DIRECTORIES/MAILING LISTS

The Bike Shop List, N1367 Southern Rd., Lyndon Station, WI 53944-9708, phone 608-666-2359, or 888-228-8058, www.thebikeshoplist.com. (database of bicycle retailers).

Bicycle Retailer and Industry News Directory, 25431 Cabot Rd., Suite 201, Laguna Hills, CA 92653, phone 949-206-1677. (Directory of manufacturers/distributors).

Trade Winds Taiwan Bicycle Guide Online. A web site that introduces buyers to Taiwan's bicycles, parts and accessories through a searchable database of cycle products and suppliers. This is the online version of the annual Taiwan Bicycles & Parts Buyers Guide. <http://www.bicycle-guide.com>

RESEARCH

Bicycle Market Research Institute, 1443 Beacon St. #517, Boston, MA 02146; 617-277-5660 (Market research firm).

Gluskin-Townley Group (market research firm):

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Lyndon Station, WI 53944
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E-mail: jtownley@jatowntley.com

Leisure Trends Group, 1680 38th St. #110, Boulder, CO 80301; 303-786-7900, www.leisuretrends.com

National Bicycle Dealers Association (NBDA), 3176 Pullman St. #117, Costa Mesa, CA 92626; phone 949-722-6909; e-mail info@nbda.com; Internet: www.nbda.com

Bicycle Product Suppliers Association, 1900 Arch St., Philadelphia, PA 19103; 215-564-3484 (Tracks wholesale shipments of bicycles to bicycle dealers). <http://www.bpsa.org>

ASSOCIATIONS/ADVOCACY

Adventure Cycling Association, P.O. Box 8308, Missoula, MT 59807; 406-721-1776 (Non-profit service organization for recreational and touring cyclists).

Alliance for Biking and Walking, P.O. Box 65150, Washington, DC 20035; 202-449-9692, (Advancing bicycling and walking through unified state and local bicycle advocacy organizations). www.peoplepoweredmovement.org

Bicycle Product Suppliers Association (See above - Represents wholesalers to the bicycle dealer channel of trade).

Bikes Belong Coalition, P.O. Box 2359, Boulder, CO 80306; 303-449-4893 (Works to support bicycle advocacy and construction of bicycle-friendly facilities). <http://www.bikesbelong.org>

International Mountain Bicycling Association, P.O. Box 7578, Boulder, CO 80306; 303-545-9011 (Dedicated to responsible mountain bike use, access to public lands).

League of American Bicyclists, 1612 K St., NW, Ste. 401, Washington, DC 20006; 202-822-1333 (Consumer cycling organization, includes advocacy).

National Bicycle Dealers Association (NBDA) (See above - Represents bicycle dealer channel of trade).

National Center for Bicycling and Walking, 1506 21st St. NW, Ste. 200, Washington, DC 20036; 202-463-6622 (Bicycle and pedestrian advocacy).

TRADE EXPOSITIONS

Bike DealerCamp, Lifeboat Events, details on the web: www.lifeboatevents.com.

Interbike, 31910 Del Obispo, Suite 200, San Juan Capistrano, CA 92675, phone 949-226-5712. (International expo held in September in Las Vegas, endorsed by NBDA). Details on the web: www.interbike.com

ABOUT THE NBDA

The National Bicycle Dealers Association has represented specialty bicycle dealers in the United States since 1946. The non-profit association offers numerous programs for dealers, with an emphasis on education, research, communication and advocacy. Also included are credit card programs and shipping discount programs. The NBDA

publishes a monthly newsletter for its members. The NBDA produces a series of educational seminars at the Interbike Expos, which it sponsors, produces an annual series of regional seminars, and conducts research and advocacy. Dues, per year, are \$150 for dealers, \$360 for other companies associated with the bicycle industry; \$150 for small manufacturers and reps. Information is available from the NBDA, 3176 Pullman St. #117, Costa Mesa, CA 92626; 949-722-6909, e-mail: info@nbda.com.

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