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## MARKET REPORT GERMANY

While the e-bike gained a market share of 15%, speed e-bikes sales are still marginal

# German Market Follows E-bike Trend: Less Volume, High Turnover

**BERLIN, Germany - After two excellent bicycle sales reports for 2014 and 2015, the German industry organisation ZIV announced less positive market results for 2016. Last year the volume of combined sales for bicycles and e-bikes declined by 6.9% compared with 2015, to 4.05 million units. Once again the e-bike was the positive note. Both sales and exports climbed by double digits.**

JAN-WILLEM VAN SCHAİK

ZIV managing director, Siegfried Neuberger puts the 2016 market results in perspective by stating, "2016 was a difficult year for the German bicycle industry. The industry is heavily dependent on the weather conditions during the bicycle season. Unfortunately these were unfavourable in the first half of the year. Most of the business which was lost between January and July, could not be re-

gained in the second half of the year. Therefore we are convinced that the industry can be satisfied with the final result. We should not forget that the market was excellent for the industry in 2014 and 2015 so we are comparing 2017 sales with very high levels. All together we are very confident about the future." At Eurobike last year, ZIV still expected a decline in market volume between 6-8%.

### Average retail price up

In sales, the German bicycle market follows the same trend as the Netherlands in the past years, with the rise of the e-bike. In Germany the market tendency now shows a decline in overall volumes, while the turnover increases just like the average price. In 2016 the market volume in Germany decreased by 6.9% while the turnover rose by 7% from €2.42 billion in 2015 to €2.6 billion in 2016. According to the ZIV this is the result of the increase in sales of e-bikes but also the growth in demand for higher quality bicycles. Last year 605,000 new e-bikes entered the market, an increase of 13% compared with 2015. As a result the average retail price surged last year by 15% to €643. Obviously the leading trend boosting the value of



Also for the German dealer cooperative ZEG, the e-bike is now really in the lead.

Photo: Bike Europe

the German market is the e-bike, which now accounts for up to 15% of the volume. The ZIV expects this number to grow in the years ahead. They anticipate an 18-20% market share in the medium term and even 30% over the long term. The speed e-bike market is slowly picking up as well. The volumes are still marginal and 99% of all e-bikes sold are part of the 250W and 25km/h category. German made e-bikes are very much in demand on other markets as the export volume boosted for the second consecutive year. In 2015 the export volume was already up by 37%. It exploded again last year, growing by 66% to 233,000 units.

When stating "2016 was a difficult year for the German bicycle industry" the managing director of the ZIV was mainly referring to the market for regular bicycles which declined by nearly 10% in volume, or 370,000 units. In 2015 over 3.8 million bicycles were sold and last year this volume dropped to just over 3.4 million. The main part of the decline came in the categories city/urban, trekking, youth bikes and MTBs. The other categories, Holland bikes, touring bicycles and others, remained stable.

### New bicycle factory and shifting strategies

The market transformation to more e-bikes instead of regular bicycles only was also echoed in the changing strategy of some big players in Germany. Last October Derby Cycle's CEO Thomas Reith was appointed head of all Pon Bike Group's e-bike activities. According to a company statement "In the fast growing e-MTB sector Focus is to be the leading brand of the Pon Bike Group."

Also for the German dealer cooperative ZEG, the e-bike is now really in the lead. They already claimed a market share of 50% of all e-bikes sold in Germany. This claim was reflected in the 2017 model range presented last July where e-bikes were top of mind for the first time for all ZEG brands. Obviously Zemo and Greenmover are ZEG's dedicated e-bike

brands, but also the e-MTBs of Bulls and the e-city and e-trekking bikes of Pegasus as well as Hercules had prominent positions at the ZEG show.

Less positive news from the bicycle manufacturer's side came from MIFA.

In December the company moved to a brand new factory in its home town Sangerhausen. However, just before the production could actually start, it became clear that the company's long time financial difficulties could not be solved with multi-million euro investments only by owner Heinrich von Nathusius and the company filed for insolvency. Apparently not everybody could benefit from the e-bike boom on the German market. The final outcome of this insolvency is still unclear at the time of writing.





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### Market Share E-bike Categories

|               |       |
|---------------|-------|
| E-City/Urban  | 45%   |
| E-trekking    | 35.5% |
| E-MTB         | 15%   |
| E-Cargo bikes | 2.5%  |
| Speed e-bikes | 1%    |
| Others        | 1%    |

Source ZIV

### Market Volume Bicycles & E-Bikes

|              | 2015    | 2016    | +/-    |
|--------------|---------|---------|--------|
| Total market | 4.35 m  | 4.05 m  | - 6.9% |
| Bicycles     | 3.82 m  | 3.44 m  | - 9.7% |
| E-Bikes      | 535,000 | 605,000 | + 13%  |

### German Bicycle & E-Bike Market

|                   | 2014     | 2015     | 2016     |
|-------------------|----------|----------|----------|
| Sales in volume   | 4.10 mio | 4.35 mio | 4.05 mio |
| Average price     | 528 euro | 559 euro | 628 euro |
| Production total  | 2.14 mio | 2.19 mio | 1.97 mio |
| E-bike production | 254,000  | 305,000  | 351,500  |
| Import            | 2.55 mio | 2.91 mio | 2.59 mio |
| Export            | 1.09 mio | 1.02 mio | 0.92 mio |

Shimano Europe MD Frank Peiffer on shortening lead times to meet today's and future customers' expectations

## 'It Has To Happen'

**EINDHOVEN, the Netherlands – Frank Peiffer leaves no doubt whatsoever about the transformation by the bicycle industry needed to meet the requirements of ever more consumers ordering online. "That has to happen," he says. Regarding how to make it happen, the MD of Shimano Europe's bike division presents a clear view, including the ifs and buts that come with it.**

JACK OORTWIJN

**B**ike Europe interviewed Frank Peiffer at Shimano's new European HQ exactly one week after its official opening. It's an office that stands out design-wise as well as location-wise. He explains what it expresses about market expectations by the world's biggest manufacturer of bike parts.

"Of course we believe strongly in bicycles and their future. What growth lies ahead is something that nobody can predict precisely with regard to 'consumption' and bike sales. But that there is and will be a strong growth in usage is clear. That's also expressed in the latest trends. It used to be fun and technology related to mountain bikes. Nowadays Europe is setting the trends which are more function-focused."

**What does this new HQ say location-wise with regard to future Shimano products?**

"That bikes will have more electronics like many more products used daily. Bicycles will become more high-tech, like cars that have functions such as ABS and traction control. Such accident avoiding functions will also come in bikes. And to create that we are at the right location for forming partnerships with high-tech companies."

**Is it correct to see this new HQ also as an expression of the fact that Europe is by far the largest market for Shimano?**

"Correct; Europe is by far the biggest market for Shimano sales-wise. Whether it accounts for close to 50% of all our sales or over 50% is also a question of currency fluctuations."

**Next to e-bike systems I think that soft goods are also getting more and more important for Shimano Europe regarding the Lazer acquisition. What's the strategy here?**

"Lazer is another step in completing our soft goods range. Here's still quite something to gain for Shimano. We are currently focusing on brand positioning and at this new HQ we are bringing together all soft goods functions for creating more synergies."

**Let's switch now to the latest trend in the EU market; do you agree to the claim that increasing the speed to market of bikes and bike products will become essential in the coming years when taking changing consumer behaviour and rapidly growing online sales into account?**

"What's clear here is that consumers are expecting more nowadays. In particular when taking into account the online services offered



Frank Peiffer, 'Changes must come fast as online sales grows fast and with that consumer expectations for delivery within one day.'

Photo: Bike Europe

for instance by Amazon. The industry has to catch up here with regard to secured availability."

**Increasing the speed to market ability of bike makers in Europe means that lead times have to be shortened. Is this possible for Shimano?**

"It's possible for everybody as this is foremost related to planning. That needs more attention than changing production locations. Basically everybody needs to focus more on planning. However, the industry is relatively bad in planning. What also comes into play here is that everybody looks at their own plate instead of the whole chain. Co-ordination and accurate numbers is what counts."

**One of the leading bike makers in Europe presented a goal for shortened lead times – it eventually must come down from 26 weeks to 8 weeks. How do you comment on this ultimate goal?**

"Shorter is better; also for Shimano. We are adding a 3<sup>rd</sup> major shipping and logistics base in Europe; in Lyon, France for faster deliveries to our customers in France and Italy. But of course there's a limit to stock-levels. Also you have to define lead time. Does it, for instance, include raw material purchasing? Including that you cannot come to 8 weeks."

**Is more production in Europe an option for Shimano to meet the industry's need for speed? And what are you currently producing in the Shimano Czech Republic facility?**

"Currently only the 7-speed internal gear hub is produced at the Czech plant. Whether production here is to be expanded is an option. Japan has to decide on that. It's a big facility so we don't want to exclude this possibility. Also, production in Europe will help to increase supply chain flexibility and speed to market. But I want to emphasise the fact that the attention to planning is of the utmost importance."

**Are there other ways with which Shimano can meet the supply chain flexibility/increased speed to market needs of the industry? A supply chain expert said that collaborative planning could also offer a suitable solution. Do you agree?**

"Collaborative planning is a good tool. But I am not sure to what extent this is realistic. It calls for co-operation at many more steps in the planning process. It also looks further in the

**'Online sales and future markets require a much shortened supply chain.'**

future. It requires a real one-year ahead forecast including the production planning in numbers. Next to that, collaborative planning includes discussions on market expectations that go two years ahead including factors such as technology developments, product planning and pro-

duction needs. It's an integration process which is used by the car industry. You could say that e-bikes are touching on collaborative planning nowadays as more industries are involved like electronics, batteries, and software. And it is also being pushed by big growth in working capital."

**Final question; would collaborative planning be in the interest of Shimano? In particular when looking at the huge ups and downs in Shimano's production levels in 2014/2015 and 2016, according to a recent Credit Suisse report.**

"Yes, it would definitely be in the interest of Shimano. Because of the ups and downs in production levels, we offered this years ago to our customers. At that time it was not regarded as an issue. Now we are still far away from production planning standards used in the car industry."

Getting to 8 weeks lead time is something that needs to be achieved. Dealers have presented a time buffer and still do. Online sales require a much shortened supply chain. We need a position on that in which all hands must be working together. It also requires a vision on future products and where to have them made.

Switching to omni-channel is not an easy step also when taking logistics into account. But as an industry we cannot afford for such a switch to take too long. Changes must come fast as online sales grows fast and with that consumer expectations for delivery within one day. It has to happen. Otherwise others will take-over the business."

## SHOW REVIEW

30<sup>th</sup> Taipei International Cycle Show reflects

# E-Bike Significance Rising to New Highs

**TAIPEI, Taiwan – Electric bikes in various forms were the big, main thing at this year’s Taipei Cycle. Of course they have been there for years already - but now everybody has set their sights on electric bikes; from parts makers to connectivity providers while the interest for e-MTBs from Asia is rising. Taipei Cycle’s message was crystal clear; the significance of the e-trend will continue to exceed all expectations.**

JACK OORTWIJN

What the 30<sup>th</sup> edition of the biggest bike show in Asia also indicated was that the bike market, after a tough 2016 that brought poor results, is starting to move again. But it’s still in the early stages and being cautiously addressed by many. Next to that it’s limited to e-bikes as well as e-MTBs. And that goes particularly for Europe. Reviewing this year’s 30<sup>th</sup> Taipei Cycle, one thing is certain; this edition will not go down in the history books as an outstanding one. That has all to do with 2016 leaving its mark on inventory levels. Many on the show floor indicate them as still high in the US. In Europe it’s said to be a less pressing problem. And this is where the market starts to move again; in particular for e-bikes.

### Future growth

The big trend in Taipei was the e-bike. Parts makers in particular are finally viewing them as where the possibilities for future growth are. And with that are looking for every opportunity to hook-up to the e-trend. The same goes for the OEM makers located in countries that have GSP+ (import duty free) status for Europe. A&J, Asama, Strongman, and others like Bangkok Cycle are now all getting heavily into electric bicycles and in particular into e-MTBs. One of them said, “We are a bit late stepping into it. But we have been working hard and investing into the capability to produce them. We have our line-up ready now.” The OEMs located in Cambodia, Vietnam and other Asian countries were presenting broad ranges of in particular e-MTBs. The same goes for the ones in Taiwan. The Republic

of China industry had a disastrous 2016 with a drop in bicycle export of some 26%. Export to the country’s number one destination – Europe – was down by 25%. These official Taiwan Bicycle Association (TBA) figures are excluding e-bikes. Compared to regular bikes ‘Taiwan’ did much better with e-bikes. The TBA reported a “strong and steady growth” on the export of electric bicycles. Total export upped big, by 83% to over 110,000 units in the first ten months of 2016. With that the Taiwan industry is gaining a foothold in the all-important mid to hi-end segments of the e-bike markets; contrary to Chinese exports which continue to linger at the low to mid-end market segments.

That many of the OEMs in Asia are now focusing on e-bikes has also much to do with the fact that on various Asian markets the interest for in particular e-MTBs is growing. However, this raises the question of how to handle aftermarket services. In particular when taking the knowledge on electronics by Asian retailers into account. Apart from all that; thanks to the interest in e-bikes more visitors from Asia were at this year’s Taipei Cycle. They filled the gap formed by fewer visitors from Europe and the US.

### Developments

New e-bike (mid) motors; new drive train makers; new batteries; new parts specifically targeting electric bicycles; all of that was at the 30<sup>th</sup> Taipei Cycle. Which of these will move the market most in 2018 was what became known from Bosch at Taipei Cycle. Europe’s biggest e-bike drive system maker is launching a mid-motor for lower price segments. E-bikes fitted with this new Bosch system are to retail for €1,300 to €1,500. This Model Year 2018 ‘Active Line Plus Generation 3’ mid-motor is setting new price points in Europe’s e-bike mid-motor market. Electric bicycles fitted with front hub motors are currently sold for about €1,299 at retailers. With the new Bosch system this price segment looks now to become the entry-level point for models fitted with mid-motors. Bosch has launched its entry-level generation 3 mid-motor earlier to OEMs. At Taipei Cycle the first parts that can be used in combination with this new drive system were presented.

Another new mid-motor and one that stands out for its size was presented by Dapu. It’s compact for easy and better frame-integration while the

new 250W motor is with under 3.5 kg also lighter. The Dapu motor offers a big 80Nm and is suitable for power assist up to 25 - 32 km/h. Also Bafang presented a new mid-motor at Taipei Cycle. It’s one that is targeting e-MTBs but can be used in any e-bike category including speed pedelecs. For that it offers a rated power of 1,000W and a maximum torque of a big 160Nm. More news on Bafang is that the drive system manufacturer will start to produce batteries. The company announced an initial investment of €11.2 million to push its own battery development and an automated production facility. “OEM partners prefer complete system solutions today,” said Jack Brandsen, GM Bafang Europe. “It became crucial to offer this option as well, besides the flexible approach Bafang is providing.”

### E-bike connectivity

Connectivity solutions for e-bikes were also presented in Taipei by providers like Comodule. In a common project Brose and Comodule implemented a complete e-bike integration system. It

offers ‘Comodule Analytics’; an online platform which visualises live performance data of the Brose drive system for the manufacturer. The second feature is called ‘Comodule Operate’. This is a smartphone app made for the bike rider and offers him or her direct interaction with the bike. Other service providers that were presenting in Taipei offered similar connectivity solutions.

Last but not least on e-bike developments presented in Taipei was that more drive system suppliers are entering the market. Companies like Hydrive from Taiwan, MAC from China and Marquardt from Germany. Marquardt stems from the automotive industry and is a maker of displays, handlebar controls, motor control units as well as batteries with BMS. The company cooperates with Brose for offering complete drive systems.

Apart from all this, the waiting is now for nice spring weather to spark sales. Many have their hopes up for the Easter weekend - contrary to last year when it was in March, it’s now in April. Warm and sunny weather then should do the trick.

*New 2018 dates to restore former identity as industry show?*

## Taipei Cycle Going Back to the Future?

With Taipei Cycle 2017 gone into the history books, the 2018 edition comes into view. And that’s the one that has a schedule which is completely different to all the previous Taipei Cycle shows. The 30 previous editions all took place early in the year. For next year however Asia’s biggest bike show is switching to an end of the year schedule.

The 2018 Taipei International Cycle Show will be held from 31 October to 3 November 2018. With that date change is Taipei Cycle also changing back to what the show was in its early days? Back in the late 80s and early 90s (it started in 1988) Taipei Cycle was an industry ordering show. Over the past 30 years Taipei Cycle evolved more and more into a distributor show where wholesalers, importers place their follow-up orders for the upcoming sales season

in Europe and the US. The industry role of Taipei Cycle diminished because the OEM ordering cycle changed over the years. This triggered the rise of Taichung Bike Week.

Whether the Taipei Cycle 2018 date change to the end of October is mainly driven by competition reasons with Taichung Bike Week is denied by the show organiser of Taipei Cycle that claims, “The purpose and function of Taichung Bike Week is very different from Taipei Cycle. There’s no direct competition.” Also, the 2017 Taichung Bike Week will take place 17 – 20 October. If such dates are also scheduled for 2018 there will be direct competition between the two events. At this year’s Taipei Cycle many said it would be ludicrous to attend or as an exhibitor take part in both events and that they would opt for Taipei Cycle.



The 30<sup>th</sup> Taipei Cycle will not go down in the history books as an outstanding one.

Photos: Bike Europe



Next September Fritz Jou will open the brand-new Portugal facility where pilot production is then to start.

# SHOW REVIEW



Bosch is launching a mid-motor for lower (€1300 retail) price segments.



Parts makers are viewing every possibility to hook-up to the e-trend.



Basic bicycle for Chinese bike-share programs currently made hundreds of thousands per month.



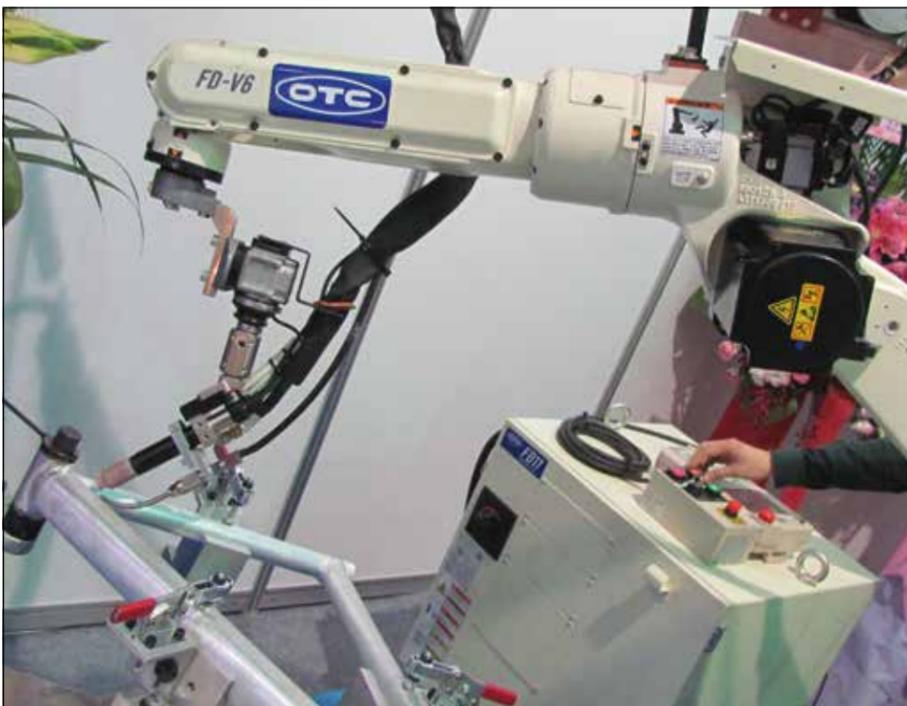
Taipei Cycle's crystal clear message - e-trend will continue to exceed all expectations.



An honour for Taipei Cycle - Taiwan's new President Ing-wen Tsai made a speech and joined the opening ceremony.



Thanks to the interest in e-bikes, more visitors from Asia were at Taipei Cycle; filling the gap formed by fewer visitors from Europe and the US.



TIG welding and laser cutting robots were presented by Shuz Tung Machinery, as alloy frame production grows in EU.



Pro E-Road frame. Road race next to be hit by e-trend?



Bafang's new mid-motor targets e-MTBs with 1,000W power and 160Nm torque.

## BUSINESS

As demand explodes not only from automotive industry in coming years...

# E-Bike Sector Facing Battery Supply Shortages?

**ASCHAFFENBURG, Germany – The future scenario looks bleak. Especially when taking into account the strategic gap in battery cell supply now arising as demand is exploding – not only due to the automotive industry switching to electric cars and buses. Other applications such as energy storage systems are on the rise because of the transition to green energy. Where all this leads to was outlined in a global market analysis by CEO Sven Bauer of BMZ GmbH, Europe’s biggest battery maker, at the recently held Battery Experts Forum.**

JACK OORTWIJN

Currently the world’s e-bike sector takes up about 10% of all battery cells produced. Taking into account the fact that Bosch recently said that it expects the e-bike market to have tripled by 2020, the demand for cells used in e-bike batteries will rise to 30%. Looking at the current market situation and taking into account the significance of the bicycle in-

dustry compared to that of the automotive sector, Bauer predicts a scenario of, “main suppliers of battery cells not being able to meet the demand. The smaller customers like e-bike manufacturers will be faced with shortages or even a stop of supplies.”

However, the CEO of battery maker BMZ also presented a solution to such a nightmare situation. What the solution looks like will follow in this report. First, the current and future situation of the worldwide battery market; according to an analysis by Sven Bauer.

### Current and future technology

That current situation shows for instance a Tesla car that needs close to 8,000 battery cells, or an electric public bus that has a battery system incorporating a whopping 35,000 cells! By comparison, an e-bike battery has about 40 – 60 cells. In series and parallel-connected cells make up a complete battery including all that comes with it such as the Battery Management System (BMS). Almost all of these cells are currently 18650 types (18 mm diameter and 65 mm long) and look like the commonly used penlight batteries. Cell production is slowly switching to 21700 ones as the bigger size is bringing a bigger capacity. With that capacity the lifetime of an e-bike battery is extended from the current average of roughly 500 charging cycles up to 1,500 to 2,000 cycles.



**BMZ CEO Bauer: ‘Main cell suppliers will not be able to meet the demand. Smaller customers like e-bike makers will be faced with shortages or even a stop of supplies.’**

Photos: Bike Europe

According to Bauer, the round 21700 cells with their nominal capacity of 5.2Ah are the way to go for the near future. He said, “It will be the new standard. Of the major cell makers Sony and Panasonic will start producing them next September and Samsung by April 2018.” However, the BMZ CEO also explained that while Tesla is convinced of the superior 21700 cell qualities, the German car industry isn’t, as BMW is opting for prismatic Lithion-Ion batteries. Next to 21700 Lithion-Ion battery cells the BMZ CEO doesn’t see any other technology taking over from the current Lithium-Ion technology. Apart from Li-NMC (Nickel Manganese Cobalt) that is. He predicted at the Battery Experts Forum that this is the battery technology for the near future.

“NMC is the battery of choice for power tools, e-bikes and other electric powertrains. It will be possible to reach over 2,000Wh and with that it will be possible to produce more tailored batteries like for instance for e-bikes that need an annual recharging of only some 50 cycles.”

### Battery Experts’ Forum

The 13<sup>th</sup> Battery Experts Forum - meeting point for the international battery world - took place in Aschaffenburg, Germany from 14 - 16 March 2017. The organiser was Batteryuniversity GmbH. Over 50 leading experts, developers and researchers reported on the latest trends in lithium ion battery technologies. In addition to the presentations, the forum also featured a small-scaled exhibition. The 13<sup>th</sup> Battery Experts Forum was visited by some 400 professionals from the power tools, e-bike and forklifts industry, and other businesses relying on batteries. The 14<sup>th</sup> Battery Experts Forum will take place from 27 February to 1 March 2018 in Aschaffenburg, near Frankfurt.

### Production concentrated in Asia

Currently the world has four major cell makers; Sony, Panasonic, Samsung and LG. Next to them there are about a dozen smaller makers like Lishen, Maxell, or ATN while Apple i-phone producer Foxconn is looking to step in. All these producers are located in Asia; in Japan, Korea, and China.

The four biggest makers handle 80% of the market. According to the BMZ CEO, annual cell production currently stands at 5.4 billion. This production total is expected to quadruple in the next ten years. But even then the question remains; will there be enough supply? And next to that another question arises. And that is whether batteries will still be affordable in the near future? This question is brought about by the fact that the demand for lithium is growing by 27% per year. According to Sven Bauer, “there’s enough but it comes mainly from China and this country’s subsidies for switching to Light Electric Vehicles for urban mobility brings a huge demand increase. Will it come to China First? Next to that the price for copper is up by 30%.”

According to BMZ CEO Bauer, all this leads to the following conclusions:

- Cell makers cannot keep up with demand;
- Cell makers will concentrate on the automotive industry;
- Raw material prices on the rise;
- Increased volatility also in currencies.

### Cell production in Europe

What is to bring relief to the nightmare scenario described by Sven Bauer – with e-bike makers no longer getting the batteries they need, is to start cell production in Europe. That is made possible as the federal German government is offering a subsidy.

At the Battery Experts Forum the plans for the cell producing facility were revealed. Plans clearly show that they are already in a well-advanced stage. A company called DZP which stands for ‘Deutsche Zell Produktion’ (German Cell Producer) will be formed by a consortium of companies that each take a stake in the cell



The 13<sup>th</sup> Battery Experts Forum was visited by some 400 professionals from the power tools, e-bike and forklifts industry, and other businesses relying on batteries.

producing facility. The cell production facility has not yet been named. Conglomerate Thyssenkrupp will take part in DZP, as well as Manz AG, M+M GmbH, BMZ Group, and others. This consortium has to put up 50% of the total investment in the German cell producing facility. The other half will come from the German government. Total investment in the facility will

amount to some €3 billion.

The initial planning of what Sven Bauer calls the 'European Giga Cell Facility' has started. This facility will have a total ground surface of 120,000m<sup>2</sup>, of which 34,000m<sup>2</sup> is the production area. The giga cell facility will feature accredited test laboratories. Production is expected to start in 2021.

## Exhibition Reflects Battery Importance for E-Mobility

That Lithium-Ion batteries are the cornerstones for the breakthrough of electromobility was reflected at the exhibition that ran parallel to the Battery Experts Forum. Here it became very clear that battery research is running at full speed as globally electromobility is regarded as one of the keys for stopping global warming.

E-Mobility comprises many more elements than just the electric vehicle: the electromobility system is formed of many components together, from drive technologies to the charging infrastructure. Between 2020 and 2030, the experts from the German national platform for electromobility (NPE) are expecting a significant breakthrough in electromobility. Germany aims to acquire a leading position with high-quality products, services and solutions. For that the federal government is pursuing the aim of registering a million electric cars by 2020. To this end, it agreed a promotion in 2016 in the form of buyers' premiums, tax incentives and expansion of the charging infrastructure. The Battery Experts Forum exhibition



The exhibition that ran parallel to the Battery Experts Forum made very clear that battery research is running at full speed. Photos: Bike Europe

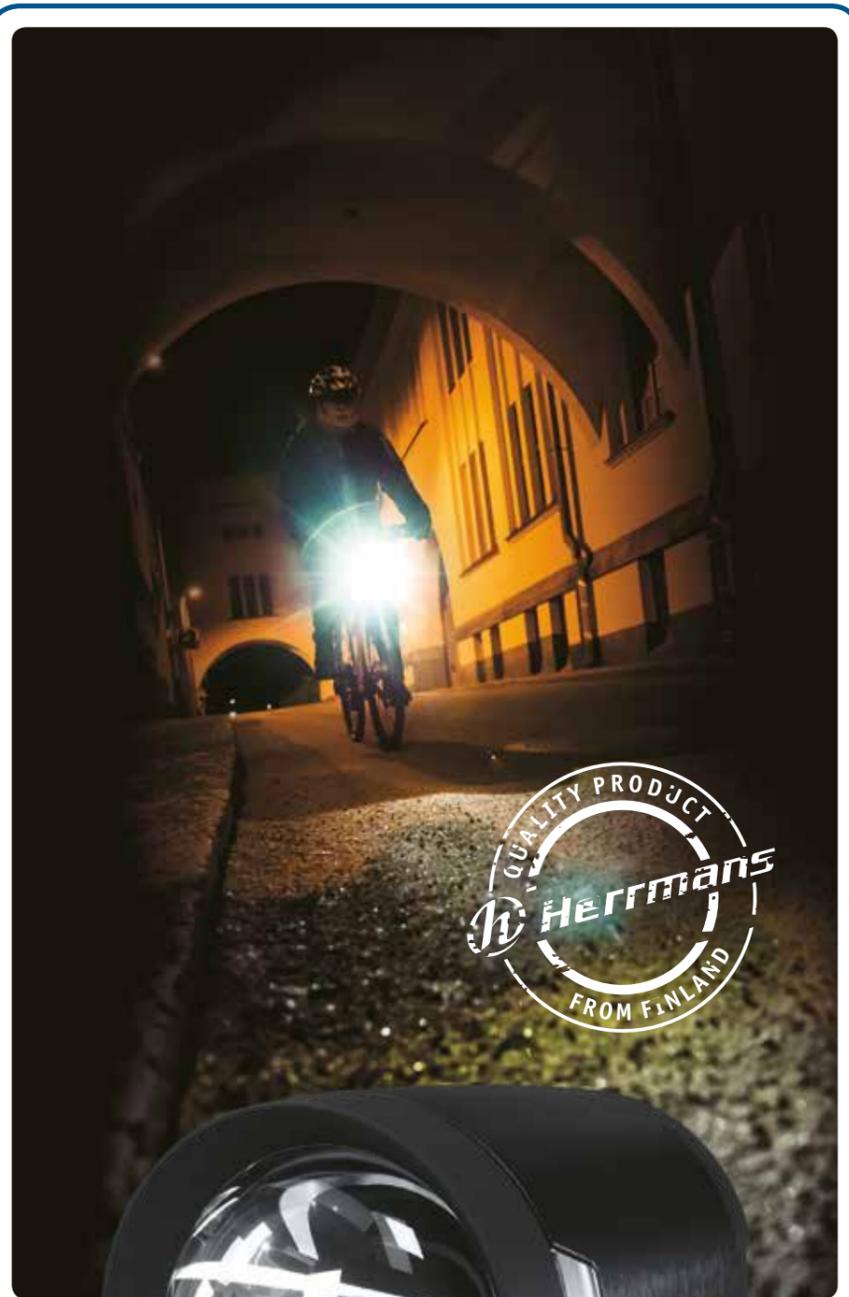
showed that such developments boost the electronics industry. Various battery makers that also target e-bikes presented themselves here. Companies like Akku Power GmbH, Ansmann or TWS showed their latest batteries, while numerous testing houses were also here. The same goes for others that target the safe storage of Li-Ion batteries like Li-maTech which offers the Akku-Safe for safe charging and storage of (among others) e-bike batteries.



Various battery makers that also target e-bikes presented themselves at the Forum's exhibition. Companies like Akku Power, Ansmann or TWS.



Akku-Safe for safe charging and storage of (among others) e-bike batteries.



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**Herrmans**

## MARKET REPORT UNITED KINGDOM

Stable sales mask a booming e-bike market:

# Brexit Looms Over UK Market

**LONDON, UK - The vast majority of UK cycle sales are imports from the Far East and there is a booming but relatively tiny e-bike market numbering in the tens of thousands of units. Cycling UK suggests, based on 'informal industry estimate', that 30% of cycles sold are childrens', 30% MTBs, 10% road, 26% classic/hybrid, and 4% folding/other. They also suggest about half of the retail value of the cycle market comes from bicycle sales, and half from parts and accessories.**

RICHARD PEACE

So perhaps the biggest news is what has not happened. A shock impact from the June 2016 Brexit referendum result has not yet materialised in the UK economy at large nor in the cycling economy. Consumer spending and wage growth have not collapsed, despite pressure on prices due to the weak pound in the wake of the result.

### UK bike manufacturing renaissance?

However, there are signs pointing to possible trends ahead. UK-based bike manufacturing remains tiny in the UK at around 70,000 bikes per year, but showed signs of resurgence. Most notable in 2016 was folding bike manufacturer Brompton's completion of the move to their new large London factory, aiming to substantially up production from the current level of around 40,000 bikes per annum and to start manufacturing an electric assist version in 2017. There were other small signs in 2016 of a UK bike manufacturing renaissance, with lightweight children's bike manufacturer Frog relocating production from China to South Wales and talk of introducing mass production of steel bikes by Liberty House, following their purchase of Trillion Cycles. Looking even further ahead, Hero Cycles are clearly aware of the possibility of post Brexit trade deals, signalled by the opening of their global design HQ in Manchester. In the short term though the big question for

most in the UK bike trade - who are largely dependent on the price of imports - is how long and how successfully extra costs induced by the weak pound can be absorbed or mitigated, especially now Article 50 has been triggered by the UK government.

### The rise of the chains

It is estimated that the independent bike sector, though having very slowly declined its market share in recent years, still accounts for 35-40% of bike sales. The major bike retail chain Halfords has a slightly smaller market share than all IBDs combined. One cloud on the Halfords horizon is the recent analyst downgrading of shares, despite the company's greater emphasis on online sales and the growth of its high street stores, branded Cycle Republic. Halfords main chain competitor, Evans, saw its 2015 pre-tax profits plunge 69% but it is not yet clear how 2016 has treated the company who have also rolled out its own brand electric bike, as well as significantly increasing its third-party e-bike brand offering.

Other chain competitors include Go Outdoors, whose 58 out-of-town superstores are now owned by JD Sports Fashion plc, who felt they complemented their own town centre locations. Earlier in 2016, pre-takeover, Go Outdoors invested millions in new stores and expanded its cycle product range significantly as a result.

Decathlon also looks to be making good progress and its 20 UK stores might expand in-line with the company's increase in profits and global expansion philosophy and it will be interesting to see if the Decathlon 'City' brand of stores are rolled out in the UK.

### E-bike bubble or long term growth

With sales estimates varying, it seems 50,000 plus is the current upper guesstimate according to those in the industry. With e-bikes strongly entrenched at London and Birmingham bike shows, in many IBDs, Halfords and Evans it seems their strong growth is here for the short term at least. For example Whisper and EBCO both report a doubling of stock levels for 2017. Again the big cloud hanging over the UK e-bike industry is Brexit and price rises. Bike Europe got two similar yet contrasting views from those in the UK industry. Fli Distribution Ltd imports KTM. Fli's Col Williams commented: "We sell out of everything e-bike, year-on-year. However



UK bike manufacturing renaissance? Next to new Brompton facility, Frog relocating production from China to South Wales, as well as by Trinity Cycles.

Photo: Brompton

er in our market, we don't sell direct, we're seeing an increase in sales to IBDs whilst the specialist e-bike retailers are also increasing the volume of KTMs they are selling." This was tempered with a warning on costs: "Some of our e-bike's recommended retail prices (RRP), for an identical product are now (2017) 20%+ more than in 2016 due to exchange rate rise, accounting for, a 14% increase at cost price while the rest is caused by currency fluctuations. Who knows what will happen to the RRP's in 2018 if we leave the single market as is currently planned."

### E-MTBs taking off

Ying Tsao-Tan of Momentum Electric had a different take on the exchange rate fluctuation, believing it has presented his company's more budget orientated e-bikes with an opportunity. "Brexit has had a huge impact on many businesses due to the weak pound. There is possibly further uncertainty due to regulations but that is not immediate. Many competitors have increased their prices due to the weak pound

but Momentum Electric has done the reverse to enter a more vacant sub GBP 1,000 (€1,170) category to gain volume." He also said: "E-MTBs are taking off in a huge way but I think the main benefactors are the major European brands. E-MTBs are complex machines and the average Chinese OEM factory is not able to produce a decent one easily. I know of several new direct to consumer brands coming on to the market in the near future. I do not think they will last because although the margins are more attractive, to survive they need to invest heavily in marketing and after sales and that is something I have not seen done correctly in the UK. The main positive example that people like to draw on is Stella in the Netherlands and they are doing a great job on those two fronts."

Of course the even bigger overarching question for the UK electric bike market is whether they can emulate the sustained success of Germany and the Netherlands - both countries with relatively widespread networks of high quality cycle paths and relatively high levels of cycle usage.

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E-Bike sales stable around 270,000 units in 2016:

# Netherlands Sees Record in Value, Drop in Volume

**AMSTERDAM, the Netherlands – For the 4<sup>th</sup> consecutive year the total bicycle market value in the Netherlands reached a record level. The turnover made with the sale of new bicycles and e-bikes ended at close to €1 billion on 31 December 2016. Despite this record, the Dutch industry association RAI-Vereniging reported that not all the news from the cycling loving country was positive, as the 2016 sales volume declined to the lowest level in 30 years.**

JAN-WILLEM VAN SCHAIK

The RAI-Vereniging market statistics for 2016 show a total of 928,000 new bicycles and e-bikes were sold in the Netherlands. The total retail value of those sales stood at €937 million. The statistics also indicate e-bike sales hovered around the same level as in 2015 – at 270,000 units.

The growing importance of the e-bike category, pushing up the average retail price, continued in 2016, though at a much lower pace. The market share for e-bikes increased again – from 28% in 2015 to 29% last year, making it the second largest category after city and touring bikes. Thanks to e-bikes the total market value increased by 4.2%. Also, for the first time in history the average retail price in all distribution channels, including online, exceeded the €1,000 mark and ended at €1,010, an increase of more than 10% compared with 2015. For the IBD channel only, the average retail price is even higher – at €1,094, although the increase

was limited to 3.1%. In 2016 the total market volume decreased by 5.7%, from 983,000 units in 2015 to 928,000 bicycles last year. Not since 1987 has the market reached such a low volume. The Dutch market shows a steady decline since 2007 as in that year the market volume tipped the 1.4 million units, an absolute record.

## 90 e-bike brands on the market

The chairman of the bicycle section of the industry association, Wouter Jager, did not want to characterise the market as being in stagnation. At the 'Tweewieler Retail Trends Congress' organised by Bike Europe's sister magazine Tweewieler he said. "It's too early to say that the e-bike market has reached its maximum share at 29% as it was in 2016. We think that there's still potential for growth in this product category." On the other hand he also pointed out that "in the future regular bikes will continue to make up a substantial part of the market, I am convinced of that." Jager also reported that, "Rampant growth of e-bike sales resulted in the presence of more than 90 different e-bike brands on the market today", and on the other hand, "the announcement of Media Markt that they will pull out (of) the e-bike market shows that market entrance is certainly not easy."

This was not the only change occurring in the bicycle retail market. In 2016, IBDs managed to increase their market share in volume substantially; from 70% to 76%. Jager pointed to the bankruptcy of the department store Vroom & Dreesman as well as the retail chain Halfords as a contributing factor. Although Halfords made a restart on a smaller scale "the turnover in bicycles of both formulas who were offering bicycles in the low to mid-end range has partly been taken over by several webshops," Jager said. The same goes for the market share of large DIY-stores who have greatly limited their bicycle range in the past few years. Unfortunately the statistics of the RAI-Vereniging do not clarify the market share of webshops, as the growing importance of online sales is a leading issue regarding the future of the IBDs.

## Potential of the speed-pedelec

Just like the e-bike sales, the market for speed-pedelecs in the Netherlands also stayed at the same level in 2016 compared with 2015, with a volume of just over 3,400 units. "It will be diffi-



The market share for e-bikes increased again – from 28% in 2015 to 29% last year.

Photo: Bike Europe

cult to make the speed-pedelec as successful as the e-bike in the Netherlands," said Jager, "but this category of bicycles certainly has more potential. A lot of consumers hesitated to buy a speed-pedelec due to new regulations which were implemented last year. Also the obligation as of January 2017 to wear a helmet when riding a speed-pedelec made people reluctant. Therefore, we are very content with the special speed-pedelec helmet which was developed in close co-operation between the national authorities and the industry and is avail-

able on the market now." In an official ceremony at the end of March, Dutch Minister of Transport Melanie Schultz handed this speed pedelec helmet to the cyclists' federation Fietsersbond. "This is a fine example of innovation," said Minister Schultz at the presentation. "The market develops a nice product the consumer likes a lot and the government adjusts the laws and regulations as soon as possible." According to the RAI-Vereniging, the fleet of speed-pedelecs in the Netherlands already exceeds 10,000 units.

## Dutch Bicycle Market 2012 - 2016

|                                      | 2012    | 2013    | 2014    | 2015    | 2016    | +/-     |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| Sales in units (x 1,000)             | 1,035   | 1,008   | 1,051   | 983     | 928     | - 5.7%  |
| Market value (x € 1,000)             | 769,159 | 797,264 | 886,605 | 899,020 | 936,829 | + 4.2%  |
| <b>In price categories</b>           |         |         |         |         |         |         |
| till 300                             | 22%     | 18%     | 14%     | 12%     | 11%     |         |
| 301 t/m 499                          | 11%     | 15%     | 17%     | 17%     | 16%     |         |
| 500 t/m 699                          | 17%     | 21%     | 22%     | 21%     | 22%     |         |
| 700 t/m 899                          | 20%     | 18%     | 20%     | 16%     | 15%     |         |
| More than 900 euro                   | 30%     | 30%     | 27%     | 33%     | 35%     |         |
| Average retail price in euro         | 743     | 791     | 844     | 914     | 1,010   | + 10.5% |
| Average retail price at IBDs in euro | 964     | 989     | 974     | 1058    | 1,091   | + 3.1%  |

Source: RAI Vereniging

## Bicycle Categories on the Dutch Market

|              | 2014 | 2015 | 2016 | +/-     |
|--------------|------|------|------|---------|
| City bikes   | 41%  | 42%  | 43%  | - 3.4%  |
| Hybrid bikes | 7%   | 5%   | 6%   | + 14.3% |
| Kids bikes   | 12%  | 14%  | 12%  | - 19.6% |
| E-bikes      | 21%  | 28%  | 29%  | - 1.8%  |
| Others       | 9%   | 11%  | 10%  | - 1.4%  |

Source: RAI Vereniging



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World Cycling Forum keynote speaker Ronald van Klooster, Maxlead, on online battle for consumers and

# How To Survive Competition of Online Players

**DOETINCHEM, the Netherlands - Ronald van Klooster is passionate about the opportunities new marketing technologies can bring to brands. He is the co-founder of Maxlead ([www.maxlead.com](http://www.maxlead.com)), a consultancy specialising in online marketing for suppliers operating with dealer channels. He is a keynote speaker at the World Cycling Forum; the Conference on consumer centricity & increasing speed to market taking place 7 and 8 June in Porto, Portugal. At the conference he will be providing hands-on advice on how suppliers/brands can transform digitally in their dealer operations. You can still sign up for the conference at [worldcyclingforum.org](http://worldcyclingforum.org).**

JACK OORTWIJN

*At the World Cycling Forum you will speak about the new realities in retail. What does that look like?*

"Consumers used to be easy to reach. Newspapers, television or radio, only three media channels. Over the past 10 years, this has quickly changed through the internet. It provides a growing number of contact options to reach the consumer.

Technology and data are becoming increasingly important for reaching consumers at the right time in the right media channel. For each industry those contact options, also called touch points, are different. For bicycle brands, reaching the consumer has also become fragmented and harder. The playing field in which the fight for consumers is taking place is becoming more and more crowded. The internet forces brands to make choices on how to survive the competition of especially online players."

*With that competition in mind - is a distribution strategy operating through dealers still a commercially viable and sustainable option?*

"The dealer channel must make itself indispensable. If it does not, it may very well happen that this channel ceases to exist. Links in the value chain like dealers are already being deleted. This disintermediation trend is also happening in the bicycle and e-bike sector. For instance, by an e-bike brand named Stella, successfully operating in Holland. It offers straightforward online products (and offline), supported by lots of advertising, and consumers love it. But, as long as the bicycle manufacturers continue to make complex (electric) bikes, the retail channel is needed."

*What are your views on the future of retailing bicycles and e-bikes?*

"Brands are putting more money and effort in the hunt for consumers. Online marketing has become a sales tool and much needed as deal-



Ronald van Klooster: 'The dealer channel must make itself indispensable. If it does not, it may very well happen that this channel ceases to exist.'

Photo: Maxlead

ers often lack the skills to do that effectively. Online marketing, dealer portals and experience centres generate leads. These leads to consumers that have shown online their interest in particular products will be passed on by the suppliers/brands to their dealers. Many times it's there where it goes wrong. In particular, in sectors that operate with dealers which are similar to the bicycle business. Experience shows that many dealers don't follow-up the provided leads. Then the supplier's investment in online marketing turns into a disinvestment. It raises the question, what the added value of such dealers still is? That value will be determined by the success rate of the dealer converting leads into actual purchases."

*How can suppliers/brands transform digitally to obtain leads?*

"Do what for instance Booking.com does, where consumers book their travel arrangements, making them feel like (they are) avoiding pushy operators. Such bookings spur a digital signal or cookie to Google Adwords and travel operators resulting in online ads. Another example, purchasing at webshops means accepting their transaction terms and conditions. Accepting them also provides webshops permission to link an online profile (cookie) to the consumers' name. This identifies interested consumers and brings leads. We at Maxlead have installed such online marketing tools in the IT systems of several customers. What you see more and more now is brands trying to entice consumers with incentives to obtain their online profiles. Money and effort is put into this as online consumer profiles bring leads with which dealers can reach out to the right consumers with relevant information at the right time."

*How can dealers follow-up on leads? What does it require?*

"Foremost it requires a well-organised sales force. Following-up on a lead means calling the potential customer within 10 minutes. If that does not happen then what's named 'outbound performance', or the chance of converting the lead into an actual purchase, decreases imme-

diately. IT tools are able to track dealers' outbound performance and can make that performance transparent to dealers. It also offers suppliers/brands an insight into which leads are well followed by their dealers. It offers the possibility for suppliers/brands to select dealers on their outbound performance. And, for instance, stop providing the ones with a low performance with leads."

*How will the business model with leads work out for dealer margins?*

"What is certain is that margins will no longer be determined by purchasing volumes only. Maybe the Über model will become commonplace in the value chain of the bicycle sector.

**'Online marketing turned into a sales tool for generating leads for dealers to follow-up on. But there is where it goes wrong.'**

This means that the customer assesses the driver and reviews his or her performance. This could work out for bike retailers. Supplier/brands monitor the reviews and fit it in their kpi schemes for determining the dealer's margin. This might sound like a fata morgana now for traditional bicycle dealers, but it's already reality in other sectors. However, what has to be taken into account is that bicycle and in particular e-bike retailing distinguishes itself from other sectors through the service aspect. But also that service aspect requires a superior online follow-up as this is can provide an all-important competitive edge for dealers in their competition with online suppliers. My tip for dealers to work that out successfully - put young people in your team. They know what's going on."

## 'New Role for Distribution Chain in Online Marketing & Sales'

As well as being its co-founder, Ronald Van Klooster (51) is also commercial director of Maxlead ([www.maxlead.com](http://www.maxlead.com)). Maxlead calls itself "Strategic online marketing partner. We help you generate leads and sales, both in the Netherlands and abroad."

"Maxlead has grown strongly in recent years and has become one of the largest online marketing agencies in the Netherlands with a staff of 75. We train online talent in our own Maxlead Academy and are part of the Everywhere Network, a collaboration of international online marketing agencies. At the end of 2016, Maxlead expanded its digital analytics team and expanded its activities to a support center in Slovakia: Digital Analytics Support Center (DASE)," explains Van Klooster.

### In the bicycle industry

Maxlead's clients in the bicycle sector are Accell Group's brands Batavus and Sparta. Also AGU, Fast Forward and O'Neill. Other brands that Maxlead works for are Happy Socks, TomTom, DRU, Luxaflex, as well as other international brands. The total clientele stands at about 100. Maxlead specialises in online marketing for retail channel suppliers and claims to have a vast knowledge in this area.

Van Klooster's presentation at the World Cycling Forum is titled 'New role for the distribution chain in online marketing & sales.' This is the abstract of his presentation: 'Many manufacturers owe their historic success to a high-performance distribution chain (Independent Bicycle Dealers). There are good reasons why the partner channel has always taken a prominent position in Porter's Value Chain.'

"However, in recent years the internet has led to a major shift in all industries that work with a distribution chain. We see that the distribution chain is losing breadth, but is developing in depth. The links in the chain are smaller in number but stronger. In some industries, the intermediate links between company and customer have all but disappeared. This phenomenon is known as disintermediation: the disappearance/removal of intermediaries between manufacturers and customers. Which distribution chain strategy works best for your online business? In this presentation, you will find six distribution chain strategies including examples of companies that have applied these models, and their respective advantages and disadvantages. Bonus: 12 practical tips to optimise your distribution chain," says Ronald van Klooster.

## BUSINESS

Cycling 4.0; migration from mechanical and hydraulic parts to platform based electronics and software

# Shift in Industry's Revenues & Profits

**LYON, France - Who would have thought just five years ago that the most innovative product line would shift from the traditional groupsets consisting of front and rear derailleurs, rim brakes, brake/shifting levers, cranksets etcetera to an integrated electric-assist motor/transmission, disc brakes and a push-button electronic shifter? At the core of this transformation is a migration of value to a platform based upon electrical and software-based components.**

PATRICK KEATING - VELO CAPITAL PARTNERS

Electrical components are the essential precondition for software components and the algorithm will be the most valued piece of the puzzle leading to the shift to intelligent components and to fully autonomous cycling vehicles. No longer will a purely mechan-



Intelligent electromechanical components are near future revenue & profit drivers. Photo: Bike Europe

ical system be the differentiator. Intelligent electromechanical components will be the drivers with software as the enabler and remote analytics, upgrades and new apps as the cash-flow machines.

## Over 100 million code lines in cars

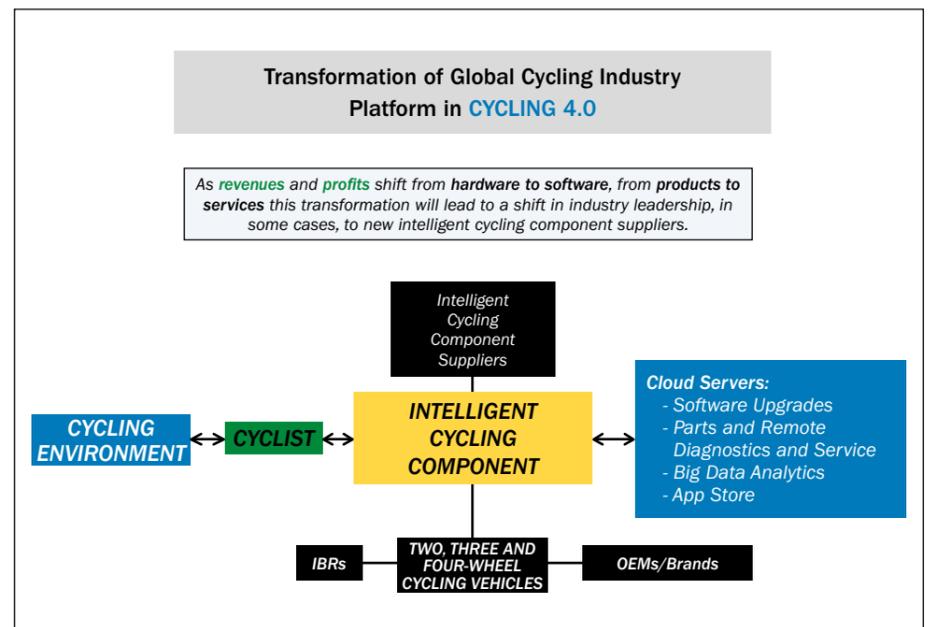
Such a transformation in Cycling 4.0 is pictured in the illustration on this page. While there will be many doubters and naysayers all anyone has to do is look at the same transformation that has been taking place in the automotive industry that has also migrated down to the motorcycle industry. An average new automobile contains 50 to 100 or more electronic control units (ECUs) with over 100 million lines of code—requiring as much as a 2.7 km of wire to connect them over several different networks. The premium models of the leading motorcycle OEMs contain 5 to 10 electronic control units (ECUs) with over 10 million lines of code—requiring several metres of wire to connect over one or more networks.

## Value shift in automotive

Of course, we all know what has happened as the value in the automotive industry has shifted to electric vehicles dominated by software, making Tesla the most valuable US car company and fourth most valuable in the world. The top automakers, their recent market caps, and 2016 worldwide sales are:

1. Toyota, US\$155.88 billion market cap, 10.1 million sales
2. Daimler, (Mercedes-Benz), US\$70.35 billion, 3 million sales
3. Volkswagen, US\$67.24 billion, 10.3 million sales
4. Tesla, US\$60.28 billion, 76,230 sales
5. BMW, US\$54.77 billion, 2.4 million sales
6. GM, US\$51.45 billion, 9.6 million sales
7. Ford, US\$44.65 billion, 6.7 million sales

While this transformation of the automotive industry has shocked the market, it has been overshadowed by the acquisition of the next generation in intelligent components in the automotive industry such as the US\$15.0 billion acquisition by Intel of Mobileye – a leader in computer vision for autonomous driving technology. Startling is the value Intel placed on Mobileye which only had US\$104.6 million in



**Bosch, Continental and other Tier Automotive Suppliers will continue to bring innovation to the global cycling market**

revenue in 2016. The driving force behind the wave of consolidation is the pressure to keep up with the shift toward autonomous driving that started about five years ago.

## Automotive suppliers bring bike innovation

Of course, the global automotive industry is a US\$5.0 trillion industry compared to the global cycling industry that by our best estimates is roughly a US\$100.0 billion industry. So, it is unlikely we are going to see this level of M&A activity especially from existing OEMs and Tier 1 suppliers. Only Garmin has come from the outside like Intel to pay in the millions of dollars in the global cycling industry for the acquisition of MetriGear and Backtracker purely for the technology as both companies were pre-revenue. But, we have seen Robert Bosch (with US\$85.2 billion in sales) become the new lead-

er in this transformation with a total investment over the last several years that we've estimated to be a minimum of US\$50-100 million. As a result, it has dominated the e-assist mid-motor market and, recently, accelerated its efforts with the release of the world's first electro-hydraulic anti-lock brake system (ABS) for e-bikes. We have no doubt that Bosch along with Continental and other Tier Automotive Suppliers will continue to bring innovation to the global cycling market.

## Shimano able to keep up

As for existing players in the global cycling industry, only Shimano really has similar financial resources to keep on the same level as these automotive players. But, it's been slow to capitalise on this transformation even though it had the edge with the introduction of its Di2 electronic shifting in 2009. But, they are improving their e-assist mid-motor and we have seen a patent it filed in 2016 for an integrated electro-hydraulic ABS into its e-assist mid-motor. So, it's probably not far behind Bosch in that area. Will there be any outsiders such as a kickstarter or venture-backed startup that will rise-up and become a player in the global cycling market? Of course, there will be a few of these that will make a difference out of hundreds we've tracked over the last five years. So, don't be surprised by it as this disruption is the essence of Cycling 4.0.

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## WORLD CYCLING FORUM

World Cycling Forum on Consumer Centricity & Increasing Speed to Market

# 'Speed Becomes the New Currency'

**PORTO, Portugal - The bike sector's business model that has been in place for decades (get orders some 8 months before, start production and sell) is ending due to rapidly growing online sales. It must switch from selling what we produce to producing what we sell. The new business model allows two months for transforming sell-out data to the production of products that follow the newest sales trends. For all it means speed is becoming vital. Speed is the new currency.**

This was the main message of the World Cycling Forum held last June - the bicycle industry's first ever 2-day international congress, in Porto, Portugal. Because

changing consumer behaviour, with fast growing online sales and new technologies, is bringing rapid changes to the bike business, this trade journal, in co-operation with the Bicycle Committee of the World Federation of the Sporting Goods Industry (WFSGI), organised the forum. Increasing the speed to market capability of the bicycle and e-bike sector is a necessity, given the fact that online ordering will soon dominate the retail landscape.

#### What is happening in other sectors?

At this event a series of expert speakers explained what is happening in other sectors and how they respond to these drastic changes. Adidas for instance, builds SPEED factories in Europe to meet consumers' demands for on-line ordered products to be delivered in hours. In the next pages summaries of the presentations of keynote speakers from Intersport, Carlsberg, Adidas, Alvanon, Porsche Consulting, Maxlead On-line Consulting and others are presented.



As fast growing online sales brings rapid changes to current business models, Bike Europe (editor Jack Oortwijn - left) in co-operation with WFSGI (president Robbert de Kock - right), organised the World Cycling Forum.

Photos: WFSGI - Andreas Gebert

Local industry proudly presents itself at World Cycling Forum

## Bike Value Portugal: Major Production Centre



Part of the World Cycling Forum was an exhibition where, among others, companies that are part of Bike Value Portugal presented themselves.

Photo: Bike Europe

**Part of the World Cycling Forum was an exhibition where, among others, companies that are part of Bike Value Portugal presented themselves. They showed that Portugal is becoming a major production centre of bicycles, e-bikes, and parts in Europe.**

With that Bike Value Portugal is able to meet the demand of the European bike sector for supply chain flexibility and increased speed to market. At the World Cycling Forum the Bike Value Portugal companies demonstrated their abilities to supply foreign markets supported by the skills of the Portuguese industry and the development of the sector in recent years and the significant

growth expected in the near future. The Bike Value Portugal project is promoted by ABIMOTA, the Portuguese national association. Currently there are over 50 bike companies operating in Bike Value Portugal. Among them, some 10 bicycle producers who produced close to two million bikes in 2016. Bike Value Portugal includes renowned P&A makers like Miranda, Rodi, Polisport, SRAM, and of course the newest company Triangle's which produces alloy frames.

*Portugal is able to meet the demand for supply chain flexibility and increased speed to market.*



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Richard van Hooijdonk, trend watcher and futurist on:

## The Internet & Robot Revolution

To provide the bike industry with a target on the horizon, the 2017 World Cycling Forum was kicked off by futurist Richard van Hooijdonk. What will that target look like? He showed that by presenting a short film on what cities will look like in about 15 years.



Futurist Richard van Hooijdonk 'Prepare for Internet and Robot future by making future scenario's'.

The film showed a busy crossing of roads where cars, cyclists, and pedestrians swarmed crisscross passing each other within seconds. A scary site as the people didn't even mind the traffic. That's the future with self-driving cars and bikes, that like pedestrians, are all internet connected.

Richard van Hooijdonk already has such a connection in his body. He had a chip injected in one of his hands. It can do things like automatically open the front door of his house and unlock his Tesla.

*'Invest to find out what opportunities there are on the horizon.'*

He is planning to have another chip injected in his other hand, which is to control his body func-

tions and is to provide warnings for example a heart attack or seizure. "Through such new technologies we are on the verge of great changes," says van Hooijdonk. "They create new business models and organisations. Companies need to be prepared for that internet and robot future. For not being disrupted, like Kodak was by digital cameras. Is 3D printing of carbon bike parts likely to bring disruption to bike manufacturing and retailing? Prepare for that future by making future scenario's. And not just one. Really invest in it to also find out what opportunities there are on the horizon. To discover them, add youngsters to your staff. Every manager should have a 25 year old as personal assistant. And give them the freedom to experiment, to be curious, to imagine. Spur them to come up with one new idea every week."

Supply chain expert Peter Ernsting:

## 'Safeguard Product Availability'

With experience of over 30 years in managing supply chains at Unilever and Carlsberg and currently a member of Accell Group's Supervisory Board Peter Ernsting started his presentation by referring to the Consumer Centricity theme.



Peter Ernsting presented hands-on advice for reducing lead times and to safeguard product availability.

He said "Start with the consumer" which of course sounds obvious. However, this involves switching from the current push model used by the cycling sector to the pull one. With experience of over 30 years in managing supply chains at Unilever and Carlsberg and currently a member of Accell Group's Supervisory Board, Peter Ernsting started his presentation at the World Cycling Forum by referring to the Consumer Centricity theme. "And there's more when you start thinking from the point of view of the consumer," explained Ernsting.

**Non-availability pushes customers to your competitors**

"The moment of truth is when consumers are about to buy your product. Non-availability pushes them to competitors, which poses a loyalty risk. It's a deadly sin to dissatisfy your customers, which is seen too much in the cycling sector. Market share is the name of the game.

Winning share back results in enormous costs. So, always safeguard product availability. This raises the question what to do when balancing too low or too high stocks or accommodating higher than planned demand. As idle capacity is too expensive, lead times as well as the supply chain come into play. And in particular the inefficiencies in the supply chain. Scrutinizing it wins back lead time. Determine the key factors to become more agile and solve complexity. Be aware of the fact that each SKU adds complexity; prune every quarter your SKU's. Standardize your Bills of Material. Have one planning system that connects and integrates the supply chain of subsidiaries into one for the entire company. Work with platforms and integrate demand sensing in your systems. It's all about reducing lead times as speed becomes the new currency."

Porsche Consulting senior partner Michael Tribus:

## 'Focus on Consumer Needs, Not on Products'

As a partner of the consultancy branch of Porsche, Michael Tribus has deep knowledge on the automotive industry and how this sector is changing because of digitisation and consumer centricity.

Those changes will also touch upon the bike industry. To get a grip on how the car business is changing, Tribus referred to a recent comment made by the CEO of Daimler Benz AG. He said, "We are no longer a car

maker. We are changing into a connected company for becoming a mobility provider. Mobility that can be ordered by a click with options like car-to-go, bikes-to-go-, train etcetera." According to Tribus urbanisation leads to more shared ownership which holds radical consequences for the car industry. It is even predicted that future car sales is to collapse.

Whether bike sharing will hold the same grueling forecast for the cycling sector was not predicted by Tribus. However, he drew parallels with companies like Tesla (founded in 2003) and Uber (in 2009) whose stock values has sur-

passed the one of Volkswagen AG that has 50 times more annual turnover and serves 100 times more consumers. Tribus' advice for the bike sector is to do the same as Tesla, Uber, or Google, which is not to focus on products but concentrate on serving the needs of consumers. And be as fast as Tesla and Uber by making hardware and software combinations.

Tribus says, "The lessons we can learn from start-ups is: simple is beautiful, speed matters, become data smart, put the consumer first and think 10 times before you start something new."



Michael Tribus provided lessons to learn from start-ups: 'simple is beautiful; speed matters; become data smart; put the consumer first.'

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## WORLD CYCLING FORUM

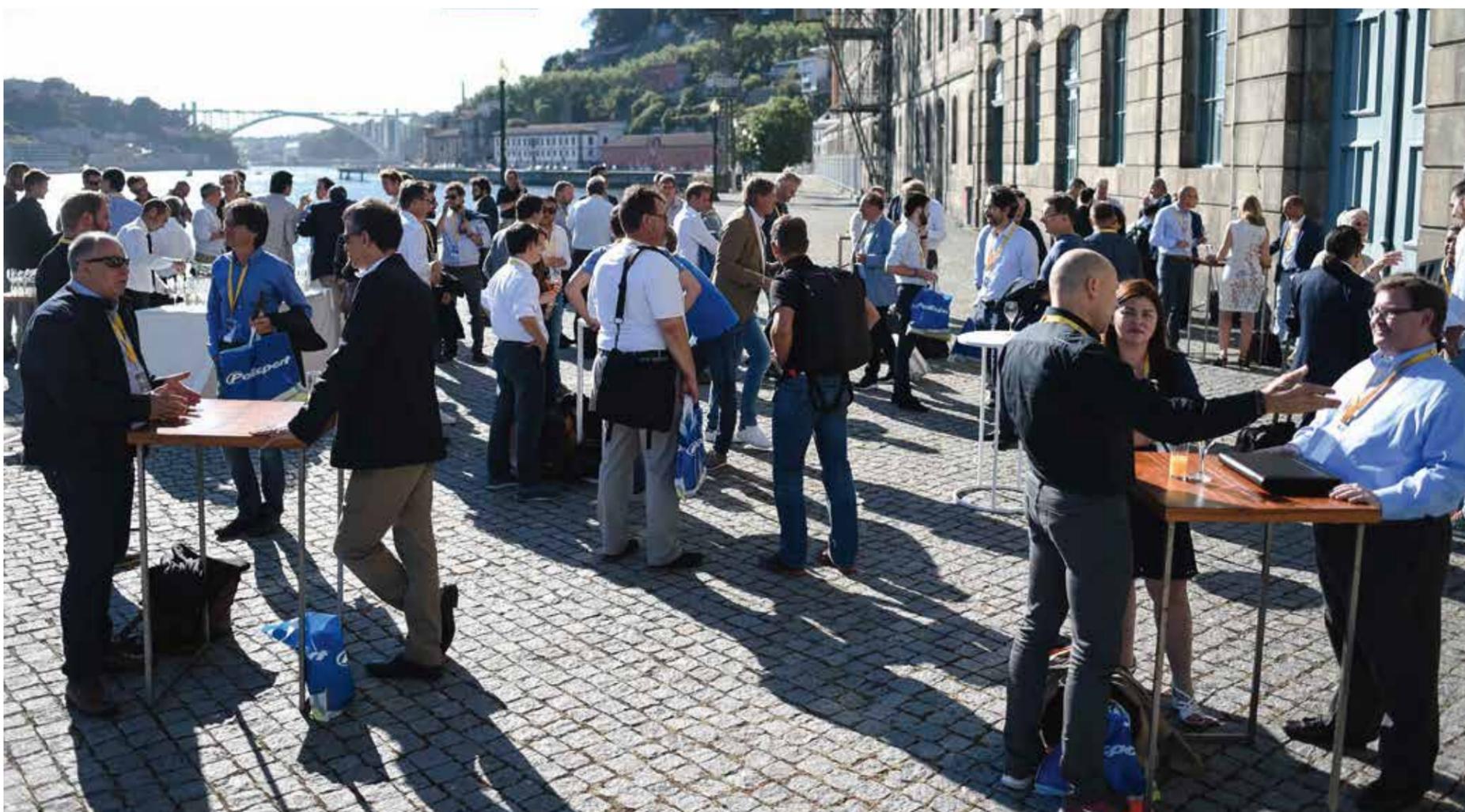
# Impressions of Industry's First International 2-Day Conference



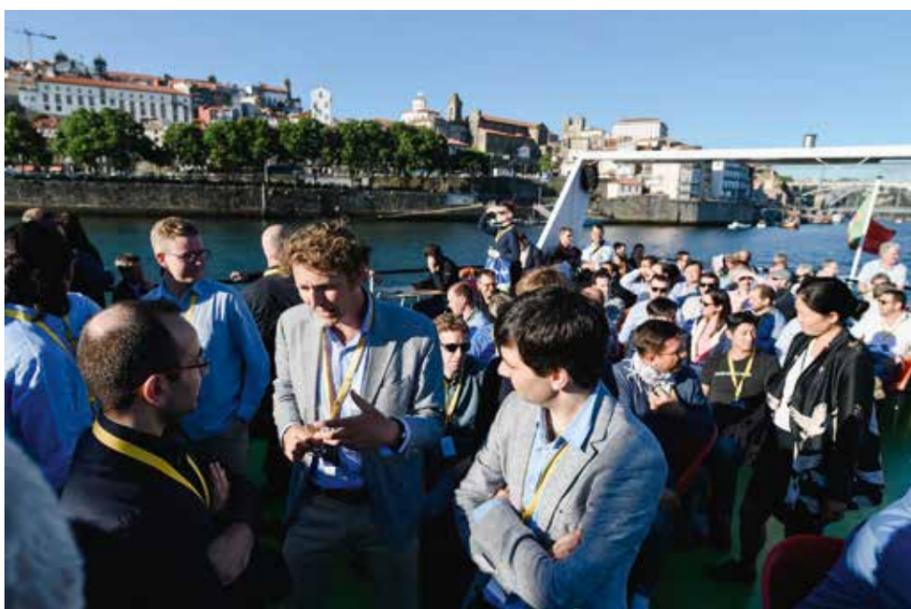
Close to 200 participants joined the World Cycling Forum last June in Porto Portugal.



A series of expert speakers explained what is happening in other sectors in relation to increasing online ordering.



How to increase 'speed to market' was much discussed by the participants during the networking session.



The international bicycle industry gathered for a dinner cruise on the Douro river in Porto, Portugal.



The conference set-up gave plenty of room for discussion on the future of the bicycle industry.

Mia Ruotsala, Chief Digital Officer Intersport on:

## How to Become a Digitally-Shaped Organisation?

Before Mia Ruotsala became Intersport's chief digital officer last April she was a consultant advising companies on their digital transformation. Companies need to transform because traditional value chains are disrupted and nowadays consumers are ahead of industries when it comes to their ways of consuming media, shopping, and interacting with brands and retailers. Companies must quickly transform themselves in order to keep up with the new challenges and opportunities they face.



'Digital must become part of heartbeat of companies.'

Mobile takes the traffic and mobile is the source of e-commerce growth. It means that new know-how is needed on online retailing; on website traffic; conversion rates; on e-categories and e-mail employability."

According to Ruotsala all this means companies must make a culture shift. "Digital must become part of the heartbeat of a company. It has to become (a) core competence which means adding 20-year-olds to the board of directors. At the same time think big, think back to the mobile phones of 10 years ago and the revolution that took place. Define your digital strategy; execute it but don't be afraid to adjust that strategy along the way."

"In terms of organisation and culture it needs what for instance KLM is doing, with offering a response to customer tweets within 30 minutes 24/7," says Ruotsala. "That's meeting what consumers want: immediacy, frictionless contact, trust, and flexibility. This also calls for agility. As well as the fact that you have to put mobile first. Setting up a new global Intersport website we put mobile first in the set-up. Desktops come later.

Franck Denglos, VP Speed at Adidas

## 'Speed to Market Is No Choice, But a Must'

For sporting goods supplier Adidas the need for increasing speed to market is so essential that the company founded a dedicated department and built separate factories, all aimed at distributing products to the consumer as quickly as possible.



Franck Denglos 'Speed is key. That's why Adidas is setting up 'speed' factories'

"Speed is key to the sports business," says Franck Denglos, vice president Speed at Adidas. "When we started the 'Speed' project in 2015, product development at Adidas took 18 months. In the current market this model could not live much longer. We needed to change in an attempt to win the consumers again with a concept that is fresh and desirable. The main change was that we no longer had to be selling what we produce but producing what we sell. This implicated leading strategies. First, we had to bring down the timeline from concept to shelf (in the shops) to a minimum of two to seven months. Second, we should never be out of stock. That is a very important aspect of fast moving consumer goods. At the same time we accelerated the lead times from sixty to thirty days. To guarantee a smooth market introduction of new items we distribute one or two relatively small batch-

es. This enables us to catch up with production responsiveness, the ability of our production system to achieve our operational goals in close co-operation with our suppliers. The main advantages are the low inventory level and the opportunity to create additional sales. After all, the product availability is also very high and we can sell a large part of the production at full price. This generates a higher contribution level. To reach this goal, everybody in the supply chain has to participate and we discussed this with all our partners. That's not rocket science, but a transformation process, which takes time. You can shorten the calendar by aligning processes and creating parallel processes."

Adidas has taken this process to the max with the creation of 'speed' factories. The first one with a capacity of 1 million shoes is based in Ansbach, Germany and the second one will open soon in Atlanta, USA."

Ronald van Klooster, Maxlead Online Marketing on:

## Influence of Internet on Distribution Strategies

Maxlead has been working with Google, observing consumer behaviour on the internet since 2001. "We have seen fundamental changes in the customer journey. It has become very complex, making it difficult to get in contact with the consumer."



Ronald van Klooster: 'In the rapidly changing market, the only way to save retailers is to make their added value measurable.'

For Maxlead co-owner Ronald van Klooster today's customer journey is like the London Underground map.

"Each Underground station is a touchpoint where each consumer is taking a different direction. Data is the only way to trace the complex consumer behaviour. Next to this customer journey, we have seen some other important changes due to the internet:

- Transparent product information
- IBD's supply chain margin fluctuations
- Traditional versus new business models
- New entrants

In this rapidly changing market, the only way to save the retailer is to make his added value measurable. It is important to find how the dealer is working with leads and your brand. Those ratings will be important for the margins and no longer the volumes. The new business models which entered the market and go consumer direct, are posing a major threat to IBDs because they have more money available to

connect to consumers on their complex customer journey. Here new media like Facebook, Instagram, YouTube, Google, Spotify play a decisive role." Van Klooster mentioned six different strategies. According to Van Klooster, 'intermediary support' is the most important one. "This brings you in direct contact with consumers, provides support to various links in the distribution chain and is most suitable for complex products as experience and awareness are very important."

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Janice Wang, CEO Alvanon consultancy agency

### Human Element Is Leading, also In Internet Era

The fashion industry exemplifies how disruptive the internet is on retail trade and the supply chain. "In all madness, everybody tries to find opportunities," said Janice Wang.



Janice Wang 'It's not about touchpoints but about Tupperware parties.'

"The biggest apparel retailer in the US is Amazon.com," said Janice Wang in the opening of her presentation. "In the past, the fashion retailers 'owned' their customers, but those days are over. Internet made so much information available. Omni-channel distribution now shows so much about customers' preferences and behaviour. The global fashion retail has too little control over its inventories. Amazon's entrance on the fashion market was highly disruptive although nobody, including Amazon talks about their return volume. To give you an idea about how disruptive Amazon is: in 2016 this company accounted for 53% of all e-commerce growth." For Janice Wang, the future of brands lies in so-called 'humanisation'. "The current convergence of consumer power with emerging technologies and innovation is changing fashion forever. The fashion industry has seen the successful introduction of multiple business mod-

els which all appeal to the human aspects. For example, StitchFit and Liz Hostetler no longer communicate about product availability or new collections but personalisation, customisation, and 'made for you'. Bring back the human connection, people don't want to be treated by robots. It is not about touchpoints but about Tupperware parties."

Robert Margevicius, Executive VP Specialized Bicycle Components

### How to Navigate Today's Bicycle Market

"Retail hasn't changed for many years but now it has to thanks to the rise of the internet as a distribution channel for consumers," said industry insider Robert Margevicius.



Robert Margevicius 'Relevance of retail is changing; showrooming is gone as consumers go webrooming.'

"Bicycles are big, complex to assemble and hard to distribute compared to many other consumer goods," says Robert Margevicius. "All to the advantage of retail over internet distributors. "Still retailers must embrace more emphatically the added value they bring to the party, like their product focus, knowledge, experience, adjacent sales, and maintenance facility. They also have the personal contact and interaction with the consumer. That's of utmost importance especially because achieving profitable growth today in the bicycle industry is dynamic. The relevance of retail is changing too as 'showrooming' is gone as consumers go 'webrooming' today. Multiple channel distribution, global competition, transparency, social media, peer reviews, government policies and new technology all influence the direction of the industry. To com-

pound these factors, today's customers are dictating why, how, when and where products are produced sold and delivered. In this environment Google knows everything and on top of that is forgets nothing. All these changes, together with Google's information dominance requires close co-operation throughout the bicycle supply chain.

Christian Decker, Managing Director of DESMA

### 'Production Close to Market Is Reality'

"Just like the bicycle industry, the footwear market is also driven by a seasonal business and fashion," says industry outsider Christian Decker, "which means both markets can learn from each other.

market and expecting that sales expectations will be fulfilled," says Christian Decker, managing director of DESMA, a manufacturer of footwear production machinery who is also a member of the steering committee 'Platform Industry 4.0' of the German Government.

#### Common challenges

"Both (footwear and bike) industries who heavily rely on production in Asia are facing common challenges like rising labour costs, declining labour loyalty, increasing design for manufacturing, shrinking lot sizes, more on-

line sales, increase need for speed to market and better logistics. Production close to markets is an option to face these challenges but this requires automated production. For the shoe industry, we developed a system to produce inside a shopping mall with a capacity of 200 pair of shoes per day. Based on online configurators we can bring down lead times from weeks to one hour. Next to that combining production and entertainment, or ProduTainment, will help to reanimate the real shopping experience besides the trend of online retailing."



Christian Decker 'Production close to markets requires automated production.'

"The market characteristics I mentioned makes it important to produce more on demand instead of pushing an estimated number of products into the

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Triangle's series produced aluminium frames rely on full automation

# Made in Europe Brings Shorter Lead Time

**BORRALHA, Portugal – At the end of last year the series production of aluminium frames started under the roof of Bike Value Portugal. Triangle's Cycling Equipments SA is a joint venture based near Agueda, home of the Portuguese bicycle industry. Three parts makers; Ciclo Fapril, Miranda, and Rodi founded it. Bike Europe was the first to visit the facility's advanced, fully automated alloy frame production.**

JO BECKENDORFF

Driving from Agueda three kilometres south there is – close to the small town of Borralha – a brand-new industrial zone named Parque Empresarial do Casarão. It's an impressive wide-open land with only a few nameless streets and roundabouts. The few finalised buildings and factories have no signs or numbers.

That also goes for the new Triangle's building. We passed the facility a couple of times before spotting the small construction sign. According to Triangle's GM Luís Pedro, the company's HQ and factory stands on a 60,000 m<sup>2</sup> plot. The factory itself measures 18,000 m<sup>2</sup>; including production, warehouse, and administration.

## No secrets but...

Right at the start of our visit Pedro says, "The technology we have here isn't a secret – but we don't want to share it with everybody." Meaning: no photos – in particular not of the half of the huge factory hall which already houses the robots and other machinery and technology. Even the names of the machinery producers including the one of the sophisticated welding robots – made in Italy or in Germany – are not to be mentioned or pictured. This despite the fact that every industry insider knows their names.

## Capacity goals

Triangle's Cycling Equipments SA started production in November 2016. At Bike Europe's visit last May only half of the production hall was occupied where production was up and running. Aluminium frames for regular bicycles as well as mid-motored e-bikes are being produced. According to Pedro "this year we plan to produce 100,000 aluminium frames. For 2018 we forecast 250,000 units. If everything runs smoothly we expect to reach a yearly capacity of half a million frames in 2019/2020." Pedro estimates that 30 to 40% of the overall

production will be with alloy frames for e-bikes equipped with mid-motors. Currently Triangle's operates two production lines with welding robots. "One with seven and one with eight robots," notes Pedro. A third production line is to be added soon.

## Lead time advantages

It's Triangle's goal to offer its European customers – doesn't matter where they are based – a four week delivery time after receiving their order. "Thanks to our state-of-the-art, fully automated technologies we are able to compete with Far East producers. Perhaps our prices are slightly higher," acknowledges Pedro. "But we are able to produce smaller series of high-quality bicycle frames and mid-motor frames."

The robotised production stages at Triangle's – Luís Pedro starts with the made-in-Portugal 6061 aluminium tubes. They are delivered in lengths of 6 metres. "Six CNC machines cut, bend, drill, and mill these tubes. It's all in-house; all tools and moulds are made by Triangle's," says Pedro. In the near future Triangle's wants to offer mainly open moulds but "following customer requests also exclusive moulds." After the tubes have been chemically cleaned the welding robots take over. After welding, post-treatment follows. Currently Triangle's doesn't offer any painting service but that's to change soon. "Now we deliver raw frames but there are painting facilities nearby that could be used at customer request," explains Pedro. Triangle's current production concentrates on hardtail frames. Full suspension frames will be offered in the near future.

## Made in Europe mantra

With its production Triangle's isn't only eyeing the European market but relies also on European equipment. This is also important for Pedro and his team.

"95% of all the machinery here is from Europe. That goes for the tube processing machinery, welding robots to the machines in the company's test laboratory. Including the 3D printer used for prototype production. Last May Triangle's employed about 35 people. The staff is targeted to stand at 60 by the end of 2017.

## Outlook

On the outlook for Europe's first fully automated alloy frame facility, GM Luís Pedro says that currently the company's output stands at one frame per minute. That should be shortened by half – 30 seconds per frame. It means that Triangle's is targeting a production of 120 high quality aluminium frames per hour. All made in Portugal for enabling a flexible supply chain and increasing the speed to market for the bike industry in Europe.



Triangle's GM Luis Pedro showing robotised welded alloy frame. Next year 250,000 are to be produced and half a million by 2020.

Photo: Jo Beckendorff

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## EU Subsidies & Portugal 2020

Triangle's, Europe's first robotised aluminium frame facility, is backed by a large EU subsidy programme named "Portugal 2020." According to this programme the European Union is supporting Portugal's economy with €25 billion up to 2020. Furthermore, Triangle's has been backed by funds for the support of small to medium sized enterprises (SME's) to increase their competitiveness and internationalisation. According to a sign at the Triangle's grounds, €14 million has been spent on the entire project. This amount is to grow to €20 million with the instalment of a third robotised production line as well as a painting facility. The European Union invested close to €7.2m in Triangle's.

# MARKET REPORT EUROPEAN UNION

EU bike market in 2016:

## Bicycle Production Down But Huge Growth in E-Bike Sales

**BRUSSELS, Belgium – The European bicycle industry could not maintain the growth in the bicycle production volumes last year as it did in 2014 and 2015. According to CONEBI the 2016 output of EU-28 bicycle manufacturers, including e-bikes, was 12,666,000 units, down 3.7% from 2015. However, 2016 was another great year for e-bikes in Europe.**

The e-bike's march throughout Europe is reflected in the import figures from EU's database Eurostat. They show that in 2016 the e-bike import of 250W – 25km/h models into EU's 28 member states from countries outside Europe increased by over 60% compared to the 2015 figures. In the ninth edition of the European Bicycle Industry & Market Profile, the Confederation of the European Bicycle Industry CONEBI reported on their economic study regarding the activities of the bicycle industry in Europe. The study gives an overview of production and employment, as well as relevant market data. Thanks to the double-digit growth in 2014 and 2015, the production of bicycles and e-bikes was nearly back to the same level as before the financial crisis, but 2016 shows a little setback again. Even the rising stars like Poland

(-5.2%) and Bulgaria (-0.8%) could not maintain their growth levels, although they kept the same ranking in the top ten of bicycle producing countries in the Europe.

After two very successful years, with 991,000 units in 2014 and 1,210,000 in 2015, the Polish bicycle industry had to face a substantial decline in production volume, including e-bikes, to 1,150,000 last year. Still, Poland is the fourth largest bicycle manufacturing country after Italy, Germany, and Portugal. Though Bulgaria's production slightly declined by 0.8% to 948,000 units, the other Eastern European countries Romania, Hungary, Czech Republic and Slovenia more or less maintained their production levels. The most remarkable drop was reported from Lithuania, as their production dropped drastically, by 56% from 258,000 units in 2015 to 114,000 last year. Still the CONEBI statistics clearly show the relocation of

production of bicycles in general to Eastern Europe – now Poland, Bulgaria, and Romania are taking top-6 positions in the ranking of bicycle producing countries. Nevertheless, Italy is still the largest bicycles manufacturing country in Europe and this country could maintain its production on the same level related to 2015 (- 0.2%). However, Europe's second biggest producing country, Germany saw its output decrease by 9.8% from 2.19 million units in 2015 to 1.971 million last year. A notable increase in bicycle production was reported from the UK. Though the volume is still small at 83,000 units in 2016, the increase was 58% compared with 2015. While the European bicycle retail sales reached its highest level of the past nine years in 2015, the market

declined by 5% volume wise in 2016, to 19.6 million units. In volume and market value Germany still ranks number one with 4.05 million bicycles, down 6.9% compared with 2015. On the other hand the total market value increase by 7% to €2.6 billion thanks to the rise of the e-bike and with that the average retail price.

### Retail sales down

Although the UK market was hit by a 13% decline in sales in 2016, value and volume-wise the UK market is still the second largest in Europe. While the local production is still marginal at 83,000 units, the main sources for the UK market are Vietnam, Cambodia, Thailand, and China. Retail sales in the Netherlands dropped to the lowest level in decades at 775,000 unit, while e-bike sales stabilised around 271,000 units. This category now generates some 57% of the total retail revenue or €534 million. The parts and accessories production statistics showed a 3.9% increase compared with 2015. The production value went up from €1.687 million in 2015 to €1.754 million last year.

|      | Production** |          | Sales** |         |
|------|--------------|----------|---------|---------|
| 2011 | 11,758       | - 3.95%  | 20,039  | - 2.06% |
| 2012 | 11,537       | - 1.88%  | 19,719  | - 1.6%  |
| 2013 | 11,360       | - 1.53%  | 19,780  | + 0.31% |
| 2014 | 11,939       | + 5.1%   | 20,234  | + 2.83% |
| 2015 | 13,149       | + 10.14% | 20,751  | + 2.02% |
| 2016 | 12,666       | - 3.7%   | 19,606  | - 4.98% |

\* Including e-bikes  
\*\* x 1,000 units  
Source: CONEBI

### Top-10 EU Bike Producing Countries 2016\*

| Country            | Volume    | Ranking in 2015 |
|--------------------|-----------|-----------------|
| 1. Italy           | 2,339,000 | 1.              |
| 2. Germany         | 1,971,000 | 2.              |
| 3. Portugal        | 1,904,000 | 3.              |
| 4. Poland          | 1,150,000 | 4.              |
| 5. Bulgaria        | 948,000   | 5.              |
| 6. Romania         | 900,000   | 6.              |
| 7. The Netherlands | 775,000   | 7.              |
| 8. France          | 720,000   | 8.              |
| 9. Hungary         | 402,000   | 9.              |
| 10. Spain          | 351,000   | 10.             |

\*Including e-bikes  
Source: CONEBI

### Bicycle Import EU-28 2016 - 2015 (in units)

|                 | 2016          | 2015          | '16 vs '15 |
|-----------------|---------------|---------------|------------|
| Quantity        | 6,744,900     | 7,503,851     | - 10.12%   |
| Value           | 1,134,241,427 | 1,240,587,084 | - 8.57%    |
| Average € Price | 168.16        | 165.33        | + 1.71%    |

Excluding e-bikes  
Source: Eurostat



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While the top five ranking remained the same, the differences between the countries are big. Number one Italy booked a small increase of 1.6% to €482 million while numbers two and three, Romania and Germany, stayed at the same level at €300 million. The biggest hike came from France which expanded its parts and accessories production by 26% to €214 million, while Portugal's production increased by 7.6% to €100 million.

### E-bike production and import up

For the first time CONEBI specifies in its European Bicycle Industry & Market Profile the e-bike production per country. In 2016 the EU-28 increased its e-bike output by 12.98% from 1.030 million units in 2015 to 1.164 million units last year. The market shares per country vary a lot compared with the production statistics of all bicycles as reported in the previous paragraph. By far the biggest producing country of e-bikes in the EU-28 is Germany with a market share of 30% or 352,000 units. Second in ranking is the Netherlands with 17% or 200,000 units, while Hungary is third at 15% and 171,000 units. The remaining 38% is subdivided between 10 more countries while 15 European countries have no e-bike production at all. Also the import of 250W - 25km/h e-bikes into EU's 28 member states from countries outside Europe increased by no less than 60% compared to the 2015 figures. This was reflected in the import figures from EU's database Eurostat. The import numbers for speed e-bikes are excluded from this report as the figures obtained from the Eurostat database indicate anomalies. That they show a clear mismatch with current market condition is because the total speed e-bike (speed pedelec) import in the Eurostat database registered under CN Code 8711 9090 stands at 1.7 million for 2016. Also, the average price per imported units indicates a mismatch. It stood at €150 in 2016. Current market conditions are that the speed e-bike market is much smaller compared to regular 250W - 25/km/h e-bikes while speed e-bikes are also higher priced. The 2016 import figures for this e-bike category show just the opposite. The report this trade journal did last year on e-bike imports into the European Union also brought these anomalies to light. And because there's clearly something wrong, the CN codes for e-bikes as well as speed e-bikes/speed pedelecs have been changed as of 1 January 2017. This is of vital importance because under the European Union's CN codes, all imports into the European Union are tracked while all import, dumping, and circumvention duties are linked to these codes. Entering the wrong CN code can have far-reaching consequences. It not only impacts fiscal matters

### Top-10 EU Bike Selling Countries 2016

|                 | Volume    | ARP*  | Market value (x 1,000)** |
|-----------------|-----------|-------|--------------------------|
| Germany         | 4,050,000 | 643   | 2,604,150                |
| Great Britain   | 3,050,000 | 521   | 1,589,050                |
| France          | 3,035,000 | 337   | 1,022,795                |
| Italy           | 1,679,000 | 390   | 654,810                  |
| Poland          | 1,200,000 | 350   | 420,000                  |
| Spain           | 1,115,000 | 533   | 549,295                  |
| The Netherlands | 931,000   | 1,010 | 940,310                  |
| Sweden          | 576,000   | 575   | 331,200                  |
| Belgium         | 540,000   | 628   | 339,120                  |
| Denmark         | 456,000   | 700   | 319,200                  |

Sales to consumers including e-bikes; average retail prices including VAT.

Source: CONEBI

\* average retail price

\*\* in euro

such as customs duties, but also bans and restrictions, import/export licensing and permit requirements, documentation requirements, and the obligation to report certain measures.

### Big growth

The 2016 e-bike import statistics are, like the years before, again showing big growth, underlining the growing popularity of this bicycle category. From 1 January to 31 December 2016 a total of 1,188,000 electric bicycles of the regular 250W - 25km/h category were imported into the European Union from countries outside the EU. This means that e-bikes imported from one EU country to the other are not included in the figures presented by this trade journal. Compared to the 2015 total import figure for the 250W - 25km/h category (726,000 units) 2016 imports are up by a substantial 63.6%. The average value per imported unit dropped by 7.9% from €396 in 2015 to €365 in 2016. Some 80% of all imported e-bikes from outside Europe came from China. 932,000 units of the import total of 1,187,000 were from the People's Republic, accounting for a huge 78% market share. The China imports showed the biggest growth of the top 5 supplying e-bike countries to Europe, as they rose by 70%, accounting for growth of 385,000 units, to a total of over 930,000. Also, the e-bike imports from Taiwan showed remarkable growth, as it almost doubled; from 43,000 to close to 80,000 units; an increase of 84%. With that total Taiwan ranks as Europe's 3<sup>rd</sup> biggest supplying country. Claiming the number two position in 2016 was Vietnam. To what extent the Cambodian bike makers like A&J and Strongman are behind these imports remains the question. However, it is likely, as they operate in Economic Zones close to the Cambodian/Vietnam border. Next to that there's no anti-dumping for e-bikes applied, as there is with the regular bicycle exports to Europe from the named companies. They are excluded and granted import duty free status for Europe under the GSP regulations. The e-bike imports from Vietnam increased in 2016 by 23% to 91,500 units. Also interesting is what Europe's 5<sup>th</sup> largest e-bike supplier showed in the Eurostat figures for 2016. Imports grew by a huge 111%. This more than doubled figure came to a total of over 30,000 units, meaning that Flyer and Stromer had a great year. The import of regular bicycles into the European Union with its common market of 28 member

### Top 10 Bicycle Suppliers EU-28 (in units)

| Rank 2016 | Country     | Unit 2016 | Unit 2015, (rank 2015) | '16 vs '15 |
|-----------|-------------|-----------|------------------------|------------|
| 1         | Taiwan      | 1,556,692 | 1,841,181 (1)          | - 15.45%   |
| 2         | Cambodia    | 1,285,889 | 1,384,283 (2)          | - 7.10%    |
| 3         | Bangladesh  | 730,558   | 737,897 (4)            | - 0.99%    |
| 4         | Philippines | 683,702   | 850,388 (3)            | - 19.60%   |
| 5         | Tunisia     | 430,148   | 424,486 (7)            | + 1.33%    |
| 6         | Thailand    | 414,360   | 466,479 (6)            | - 11.17%   |
| 7         | China       | 412,202   | 509,613 (5)            | - 19.11%   |
| 8         | Sri Lanka   | 310,155   | 379,442 (8)            | - 18.26%   |
| 9         | India       | 272,017   | 197,061 (10)           | + 38.04%   |
| 10        | Turkey      | 250,170   | 316,146 (9)            | - 20.86%   |

\*excluding e-bikes

Source: Eurostat

### E-Bike (25km/h - 250W) Import EU-28 2016 - 2015

|                 | 2016        | 2015        | 2016 vs 2015 |
|-----------------|-------------|-------------|--------------|
| Quantity        | 1,187,835   | 725,895     | + 63.64%     |
| Value (in €)    | 433,262,713 | 287,469,954 | + 50.72%     |
| Average € Price | 364.75      | 396.02      | - 7.89%      |

Source: Eurostat

states dropped hard last year. It dropped by slightly more than 10%, to what is probably an all-time low of 6.7 million bicycles. Is the drop in regular bicycle imports caused by the e-bike trend? Or is there more to it, like a switch to more close-to-market production? The latter scenario is unlikely as the production of regular bicycles (excluding e-bikes) in the European Union dropped by 3.7% in 2016. For now, what the exact reason is for the big drop in bicycle imports last year remains the big question. And it comes after a year that also showed a decline. However, this one was much smaller; only 3.2% to a total import of 7.5 million bicycles in 2015. Viewing this closer and taking into account that in 2014 the total import of regular bicycles stood at 7.7 million units, it leads to the conclusion that in two years the import dropped by a hefty one million units! It must be the e-bike trend that caused this drop. Their import rose significantly in the last two years. It grew

### Top-5 EU E-Bike Producing Countries 2016

| Country            | Volume  |
|--------------------|---------|
| 1. Germany         | 352,000 |
| 2. The Netherlands | 200,000 |
| 3. Hungary         | 171,000 |
| 4. France          | 95,000  |
| 5. Austria         | 90,000  |

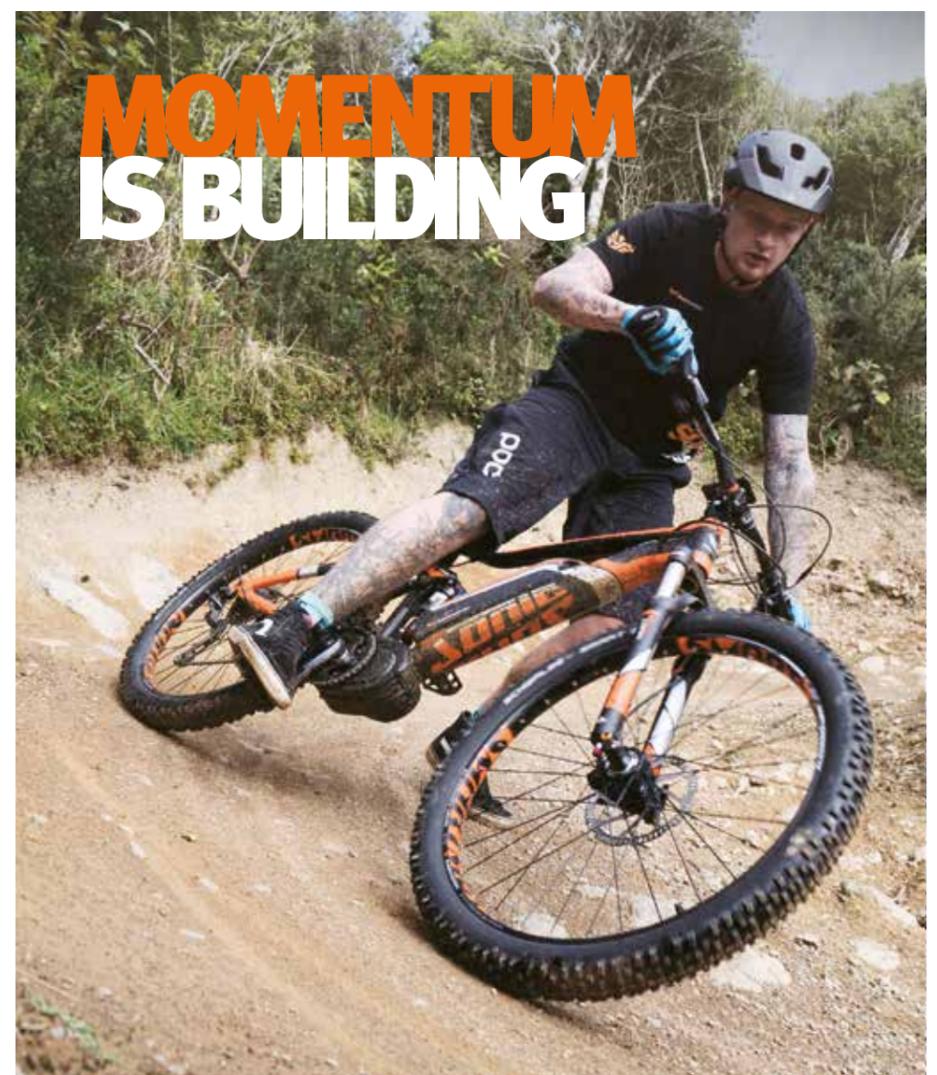
Source: CONEBI

to 1.2 million units in 2016. This leads to the conclusion that the e-bike trend is for a big part replacing regular bikes. However, money-wise e-bikes are revolutionising the market. In 2016 Taiwan remained Europe's biggest bike supplier. But the country's export to Europe took a big blow last year, as it dropped by over 15% to 1.5 million units. Cambodia also took a hit in 2016 as its (duty free) export to Europe declined for the first time since Cambodian bike production was started by bike makers from Taiwan. The number three bike supplier to Europe - Bangladesh (that like Cambodia can export duty free to Europe as it enjoys GSP+ conditions) saw its export remain almost flat to some 730,000 units.

### Top-10 E-Bike Suppliers EU-28 (in units)

| Rank 2016 | Country       | Import 2016 | Import 2015 (rank 2015) | '16 vs '15 |
|-----------|---------------|-------------|-------------------------|------------|
| 1         | China         | 932,043     | 547,373 (1)             | + 70.27%   |
| 2         | Vietnam       | 91,468      | 74,259 (2)              | + 23.17%   |
| 3         | Taiwan        | 79,316      | 43,095 (3)              | + 84.05%   |
| 4         | Hong Kong     | 36,932      | 37,854 (4)              | - 2.43%    |
| 5         | Switzerland   | 30,265      | 14,310 (5)              | + 111.49%  |
| 6         | UAE           | 9,396       | 2,899 (7)               | + 224.11%  |
| 7         | United States | 4,194       | 835 (8)                 | + 402.27%  |
| 8         | Japan         | 1,825       | 4,217 (6)               | - 56.72%   |
| 9         | Canada        | 710         | 91 (14)                 | + 680.21%  |
| 10        | Indonesia     | 600         | 286 (9)                 | + 109.79%  |

Source: Eurostat



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## OMNI-CHANNEL CONFERENCE

Bike Europe Conference on 'Facing the Challenges of Omni-Channel'

# 'Consumer Is Always Starting Point'

**FRIEDRICHSHAFEN, Germany - At Bike Europe's Conference 'Facing the Challenges of Omni-Channel' which took place at this year's Eurobike, the most striking remark came from ecommerce specialist and keynote speaker Matthijs Rosman. He said "The discussion must not be on omni-channel. It's only about consumer centricity." The conference main message was, "Do not stick to your current business model but move!"**

ANNEMARIE VISSER

About 250 participants from the bicycle industry attended the various presentations during the conference which took place on 29 August; the day before the 2017 Eurobike show opened its doors. Many top managers were on this day already present in Friedrichshafen for visiting events like the Bike Europe Conference which also took place last year.

The various speakers at the omni-channel conference came from very diverse backgrounds.



Conclusion of Bike Europe's 2<sup>nd</sup> Conference: discussion must not be on omni-channel. It's only about consumer centricity.

Photos: Peter Hummel

Two veterans out of the ecommerce sector presented their vision on the current position of retailing and where it is going (Jorij Abraham), or

what is needed to make the change to real omni-channel (Matthijs Rosman). In between these two keynote speakers Jack Oortwijn, Bike

Europe's editor-in-chief, provided insights into the current position of omni-channel in the bicycle sector. The other speakers at the conference were two sponsors; one of the two spoke about a worldwide online 'market place' for bicycles (Matt Gordin of Bike Exchange); the other on the set-up of a platform for the optimal colour customisation of bicycles (Yavor Peshev of bike sspot).

## Omni-Channel Focal Points

- Cross border: the world is your market!
- Create platforms: customers trust other customers.
- Be where your customer is: gsm, plane, game, Instagram, Facebook; everywhere where your customer is.
- Become data smart.
- Choose
  - o Double down on retail or
  - o Go B2C (new mindset needed)

Professor Jorij Abraham, Ecommerce Foundation, on future of shopping

# 'Become a Specialist Retailer or a Vertical One'

**"The ecommerce bubble is over." This said keynote speaker and ecommerce specialist Jorij Abraham who also indicated that the potential of ecommerce is still out there big time. "In 2020 over one billion people worldwide will buy their products online. The reason: online buying is just easier."**

As Abraham emphasised: "The world is changing and that hurts. So you can play sorry and sad, or you can work on it and change with it. Nowadays the market is consumer and technology driven." He stated that brands do not need physical retail. "Online is very much possible without 'brick' stores. However, the more complex the product, the more specialist knowledge is needed. As goes for bicycles and e-bikes in particular." He outlined technical developments such as artificial intelligence and voice recognition and points at the new, visual orientated generation Z. He also sketched the retail's future: "Retailers changing from offline to online will gain market share. But their profit margin drops substantially because of the big online competition. Still brands like Zalando and Amazon are prof-



Jorij Abraham: 'In 2020 over one billion people worldwide will buy their products online.'

itable for their shareholders because: market share = value! As a retailer, how do you react to this? Re-defining your business is necessary. For having ample survival opportunities as a retailer, you have to choose; becoming a specialist retailer or a vertical one (strong brands like KLM, Apple, Desigual). As a specialist (bike) retailer there is still another choice to make: does the customer visit you, or are you going to the customer?"

Jack Oortwijn, Bike Europe editor-in-chief, on disruptions by online players and possible solutions

## 'Online Bicycle Sales Already Stand at 25% Share'

In his presentation Bike Europe's editor-in-chief Jack Oortwijn explained how disruptive relatively new online players are in the Netherlands and UK. In his view these two markets are forerunners for what's to happen in all European markets.

Jack Oortwijn said "In the Netherlands online bicycle sales is currently estimated to stand at a 25% market share in units. In the UK the rapid growth of online bike

sales has a destroying effect on the competitiveness of IBDs resulting in their demise. What's becoming clear is the inability of dealers to compete with price offers that are intensively communicated by online players.

"Companies are responding to the rapid growth of online sales by implementing omni-channel strategies. Shimano Europe launched a new pricing strategy which is called Value Based Pricing. With it Shimano is placing different criteria at defining a net purchasing price for on- and offline channels. The focus for these criteria is the consumer, and the value added by the various channels and

Shimano customers. Value Based Pricing is a move towards price harmonisation and on creating price rest. Currently other companies are now also applying criteria for calculating the value various channels add to the distribution of their products.

"Currently the companies and brands now applying omni-channel distribution in Europe are Accell Group, Shimano, Trek, Specialized, Orbea, Mavic, Vittoria and Giant. Giant is handling its switch to omni-channel market dependently and with drop shipping exclusively via dealers. It's likely that more major brands will be doing the same in the very near future."



Jack Oortwijn: 'Dealers are unable to compete with price offers that are intensively communicated by online players.'

Matthijs Rosman, partner at RevelX consultancy

## 'Consumer Focus Means Data Focus'

The presentation of ecommerce consultant Matthijs Rosman (RevelX) was an energetic message about "Don't think (too long), but act. Ecommerce, online retailing, omni-channel, they all seem mysterious. But consider it a challenging puzzle, and go for putting it together."



Matthijs Rosman: 'Having data strategy is key for becoming omni-channel driven.'

His presentation was titled 'Do NOT think Out-of-the-Box!' "Because when you do, you still have a box, and we really have to let that idea go. To operate consumer centric a complete new mind set is needed." In his view selling always starts with the question: How to connect with my customer?

Focus on customers/consumers also means focus on data. So Rosman asked the audience: "Who of you know what the performance and return on investment is of the data you collect? Focus on data is essential. It tells you what the customer really wants. That's your return. Data determines the next step to take! Distinguish between first, second and third party data (see box article). Collecting all that data is vital. Having a data strategy is key for becoming omni-channel driven."

He advises brands to make a clear choice: Either you focus on the retail channels (double down on Retail, B2B), or you go B2C. Choosing B2B means that as a brand you have to help and support your dealers all the way. Going for the second option, B2C, means that you have to cherish your partners and look critically at your logistics. For B2C a flexible organisation (agility) is essential."

## 'Future in Platforms & Marketplaces'

According to Bike Europe Conference sponsor BikeExchange the future of retail is in platforms and marketplaces. CEO Matt Gordin said, "Uber owns no taxi's, Airbnb no hotels, Alibaba no stocks and Facebook no content of its own. Still these platforms or marketplaces are very successful. BikeExchange is one of those online marketplaces for bicycles, a place where IBDs can trade and brands can promote themselves. BikeExchange's USP is that it has additional content to lead the consumer to the product he wishes. BikeExchange also delivers the follow-up; with e-mails and telephone calls after the purchase. BikeExchange USA now has 360 affiliated shops in total selling over 82,000 bicycles." More at BikeExchange.com)

Yavor Peshev, speaker from the bike spot platform, also considers platforms as 'the next step' in his sector. This Bike Europe Conference sponsor explained bike spot as "A one stop shop platform for frame finishing where all bike and sporting goods producers can benefit from the compatibility of different technologies. It's a platform structure which allows you to be close to the market. It functions as a one-stop-shop for coating, curing and decaling for both consumers and industry partners. On bike spot several sectors have joined to realise the optimal customised bike. It's a user interface as well as a partner's interface. Open platforms are the future road to create speed to market. The bike spot team helps customers to find trendy colour effects for frames and accessories and to create a high-end coatings."

## 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Party Data

First data is everything you collect yourself; through your website, your CRM. This is the most valuable data. Second party data is the 'new kid on the block'. In fact it is first party data obtained

straight from the source, like a publisher generating leads. This substantially enlarges your reach. Third party data is data purchased from third (other) parties, thus the least valuable data.

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**BUSINESS**

*Dutch and UK markets, where webshops' discount offers hurt, are forerunners for whole of Europe*

# The Big Switch To Omni-Channel Is Starting

(continued from cover page)

The question is whether the business model of disrupting online players like IBG is viable in the long run. In particular as it is hurting the dealer business of all brands highlighted at the named HelloRider websites. Online marketing experts have strong doubts about this business model. In particular because of the conflicting interests of these webshops and its suppliers. In the Netherlands Accell Group wanted to stop its cooperation with International Bike Group and got involved in a legal fight.

A completely different business model from the one of IBG is applied by a company named 'Stella' In addition to the Netherlands, Stella is also active in Germany since October 2016, where it currently operates on a much smaller scale as in the Netherlands, with only three so-called test centres. In Holland Stella has some 20 test centres. Distribution of the e-bikes sold through the Stella webshop goes through some 80 demo and service vans.

## Low-priced online offering

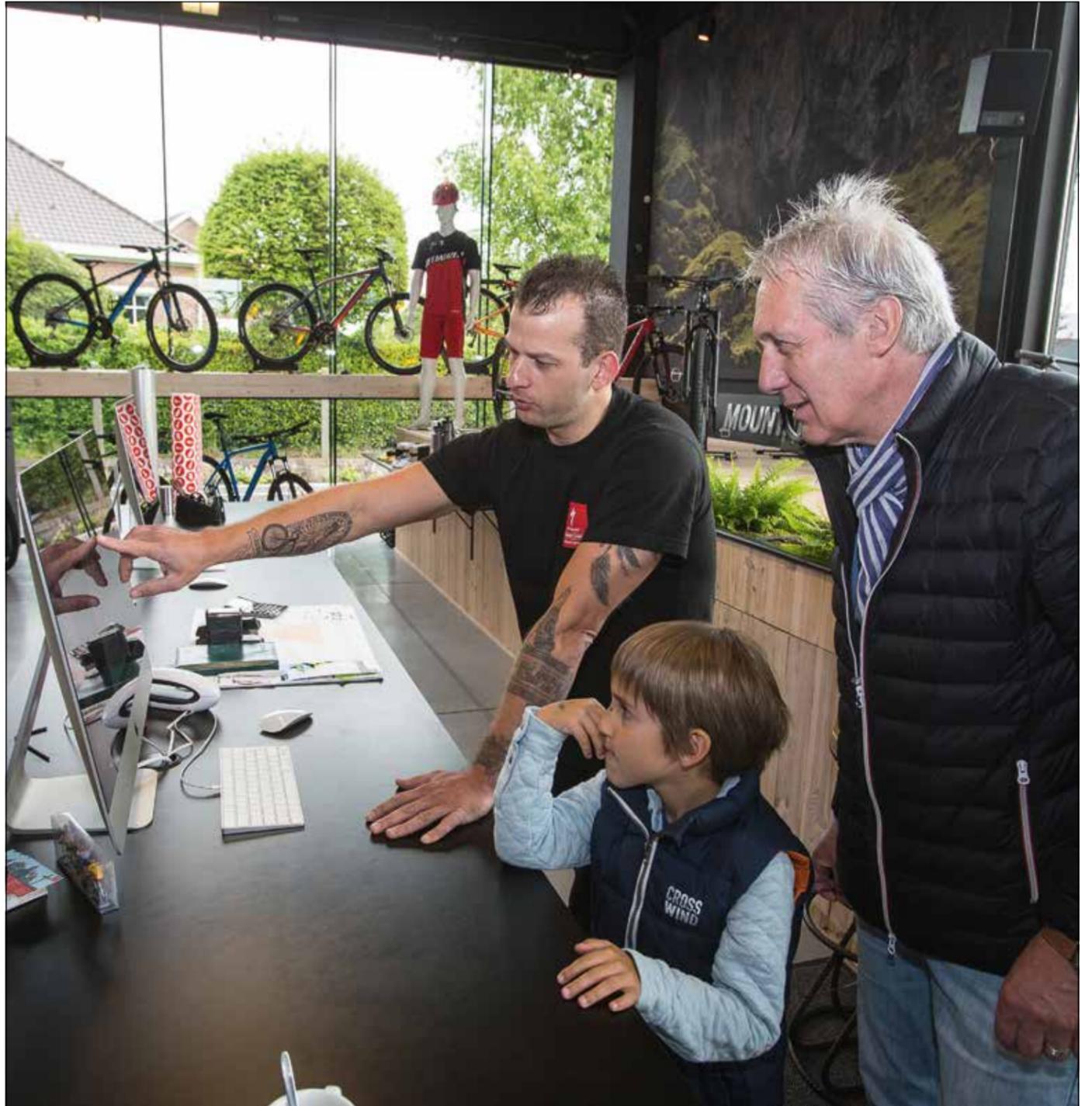
Like IBG Stella is intensively and aggressively advertising its low-priced online offering in e-bikes that are exclusively branded Stella. Distribution without dealers is paying off budget-wise allowing for costly advertising campaigns. It proves to be a success formula of the company that started seven years ago and that now has a workforce of some 200 employees. There's no data on sales by Stella but it is estimated to have crossed the 40,000 units mark.

Webshops like the ones from IBG and Stella as well as others are putting severe pressure on the traditional dealer channels. Especially as the market share of webshops is currently estimated to stand at some 25% of the Dutch market. This is volume-wise; money-wise it's bigger – due to e-bikes that retail for higher prices compared to regular bicycles.

## Competitiveness of IBDs in UK

In the UK similar developments are taking place. At least this was recently noted by the country's biggest bike retail chain. Halfords Group said that the rapid growth of online bike sales has a destroying effect on the competitiveness of IBDs, resulting in their demise. "Our research has identified that the number of bike shops has declined by nearly 10% over the last year."

The reason behind the big drop in the number of IBDs in the UK is the same as in Holland and probably also other countries; the inability of



For effectively combining offline and online sales ability of dealers to convert leads into actual sales is crucial.

Photo: Roel Dijkstra

dealers to compete with price offers that are intensively communicated by online players.

## Switch starts

Of course all the recent happenings in the UK and Dutch markets have been closely scrutinised by major players and acted upon. They are reacting by switching to omni-channel. But it's too early to state that the complete bike sector in Europe is making that switch and doing that in all European markets. Here's an overview of who is doing what on omni-channel.

Starting with the biggest in bikes in Europe – Accell Group – the company announced it would start implementing its omni-channel strategy last March. It's part of a refined corporate strategy, which is triggered by, as the company stated, "Rapidly changing technological possibilities and changes in the lifestyle and purchasing behaviour of consumers. This new strategy comes with an 'omni-channel' distribution strategy which includes our current IBDs. They will continue to play an important part in our service network."

From the biggest in bikes in Europe to the biggest in P&A: Shimano. Of course their sales and distributor, as well as dealer relations, are also affected by disrupting webshops like Chain Re-

action and Wiggle next to Alibaba and many, many others. This triggered Shimano to react.

## Shimano's Value Based Pricing

Starting this year, with the implementation of a new pricing strategy for, as Shimano Europe said, "responding to changes in distribution channels." It's called Value Based Pricing. With it Shimano Europe is placing different criteria on defining a net purchasing price for online and offline channels. The focus for these criteria is the consumer, and the value added by the various channels and Shimano customers. The parts maker claims that it is a more honest system, which is not only focused on volume. Shimano Europe's Value Based Pricing strategy is also a move towards price harmonisation and creating price rest. It aims at avoiding huge price variations at various channels where Shimano products are sold.

Currently other companies are now also applying criteria for calculating the value various channels add to the distribution of their products.

## Switch to omni-channel market dependently

Next to Accell and Shimano there are many oth-

er brands and companies now applying omni-channel distribution in Europe. For instance Trek, Specialized, Orbea, Mavic, Vittoria, Merida. And Giant. Giant is named separately here because Giant is handling its switch to omni-channel market dependently. In Europe's biggest markets Germany, France, Spain and Italy it doesn't offer online sales possibilities. On the other hand online sales is taking place in the Netherlands, Ireland, Denmark and the UK. Giant emphasises that all online sales are taking place with drop shipping exclusively via dealers. It's likely that more major brands will be doing the same in the very near future. The implementation of omni-channel will take place market dependently. In particular as there are big differences in online sales country-wise. It's said for instance that Europe's biggest bike market – Germany – is years behind the UK and the Netherlands in online sales.

## Dealers & dealer cooperatives

As said the growth of online sales has a destroying effect on the competitiveness of IBDs, resulting in their demise. However, not all of them will disappear of course. Generally speaking the bigger and stronger ones are expected to survive. What's interesting is that dealer coopera-

## Omni-Channel: From Traditional Retail to Customer Journey

- Future role of dealers: from drop shipping to converting leads into actual sales
- Including IBDs effectively in omni-channel set-up is THE challenge
- Digitization & data mining for tracing current complex consumer behaviour, resulting in lead generation
- Will switching to omni-channel include forward integration?
- Forward integration already being applied with Experience Centres

tives like ZEG and Dynamo Retail Group are also into omni-channel. ZEG, Europe's biggest dealer cooperative with some one thousand member/dealers doesn't offer all its own brands online. Bulls, Pegasus and Greenmover websites offer online sales possibilities, but Kettler and Hercules do not. Dynamo Retail Group with about 750 member/dealers offers online sales possibilities for its Bike Totaal and Profile shop formats.

All this leads to the obvious conclusion that retailers cannot close their eyes to the unfolding online sales development in the years to come. And this raises the question on what their future role is to be?

#### Future role of retailing

What is increasingly becoming evident is that effectively combining offline and online sales and distribution will be the ultimate success factor for the years to come. Including dealers effectively in an omni-channel set-up is the challenge all such companies are faced with. Drop shipping is currently what lots of these companies are opting for. But what about the near future? How to go from traditional retail to customer journey?

At last June's World Cycling Forum one of the presenters painted this future picture. He said that already fundamental changes in the cus-

tomers journey are taking place. "It has become very complex to get in contact with the consumer. Facebook, Instagram, YouTube, Google, Spotify and lots of others are making today's customer journey like the London Underground map. Each Underground station is a touchpoint where each consumer is taking a different direction." Digitization, data mining and engineering is the only way to trace this complex consumer's behaviour. It results in lead generation. Leads that offer dealers possibilities to connect to consumers that showed interest in particular products during their customer journey. Subsequently it becomes important to find out how the dealer is working with such leads on brands and products. Is it able to convert leads into actual sales? This ability is to be an important rating in making the dealer's added value measurable. And for defining its net purchasing price.

Will dealers be able to convert leads into actual sales? What if IBDs are not? Will this lead to manufacturers stepping into retailing? Such forward integration is already being applied. For instance, with Experience Centres that have been set-up in some countries by some brands. They appeal to consumers and collect leads. Apart from the Experience Centres there are some examples of bike suppliers taking over retail chains. Such as what Advanced Sports In-

### New pricing strategies being applied as move towards price harmonisation and creating price rest.

ternational did in the US, with the takeover of the Performance Bicycle Chain. Another interesting example is what Halfords did in the UK. The chain took over online bike retail specialists Tredz and Wheelies for close to €25 million. Will others do the same for expanding their internet reach? Whether such forward integration will become mainstream as part of omni-channel, is too early to tell.

#### Omni-channel and manufacturing

The switch to omni-channel and consumer-direct also brings big implications to manufacturing. Last June's World Cycling Forum, which was co-organised by this trade journal, highlighted the latest developments on that. The main message of the 2-day Conference in Porto, Portugal was that the consumer's need for

speed is a decisive factor for the future of the bike sector in Europe.

How the bike sector can anticipate the current rapid growth in online sales is by becoming consumer centric. It means that the thinking has to change; not from inside companies but to think of what consumers want. Not product and production driven but demand driven. Consumer demand comes first, particularly as dissatisfying consumers is a deadly sin. This requires a 100% product availability which is currently not achieved throughout the bicycle industry. In order to improve the performance in product availability lead times have to come down. It results in "speed becoming the new currency", said one of the keynote speakers of the World Cycling Forum. And as speed matters "simple is beautiful and companies have to become data smart."

Adidas takes the consumer's need for speed very seriously. This company even has a vice president SPEED as well, and a SPEED factory which is located in Germany. It allows a suitable lead time for making products that have proven themselves to be the best in the selling season.

Such SPEED factories could also offer solutions to the bike sector in Europe. In particular as online shopping consumers want their ordered products in hours and not in weeks.



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Category-wise e-MTB is big winner; boosting almost all European markets

# E-Bike Market Outlook: More Milestones to Come

**DOETINCHEM, the Netherlands – When taking Europe's biggest e-bike market (Germany) as an indicator of where the market is heading, then things look bright; very bright even. For electric bicycles that is. As for regular bikes; sales are dwindling. In the first half of 2017 e-bike sales in Germany rose 12%. Double-digit growth is coming in almost all European markets. Also spurring sales and helping their growing popularity are government's subsidies to encourage a shift in mobility choices.**

JACK OORTWIJN

According to US market researcher Persistence, the global bike market is to grow by 38% up until 2024. By then cycling sales will amount to €56 billion; a big jump from the €40 billion recorded in 2015. The market researcher concludes that e-bikes are to show an impressive growth in the next years. Current market developments underline the market researcher's predictions of a 4% annual growth rate up until 2024. Or are these predictions too modest? In particular when taking into account that, next to the growing e-bike popularity, policies of numerous governments come into play; policies that focus on making mobility and transportation more sustainable in view of the Paris climate agreements.

## Subsidy programs

In major European markets like France, Italy and (with something brewing) in the UK, as well as smaller ones like Sweden, Norway and Belgium – such government policies have a significant positive impact on (e-bike) sales. In France there's a subsidy program offering up to €200 for purchasing an e-bike. It is boosting French e-bike sales that started very slowly in the past years compared to the other leading bicycle markets in Europe. The subsidy program proved a turning point for the e-bike market in France in 2016. Last year, e-bike sales increased by 31%, to 134,000 units. It's said that e-MTBs are driving the market in France, where some 15,000 e-bikes have been sold with the government subsidy program. It will continue until 31 January 2018.



Double digit e-bike sales growth is coming in almost all European markets.

Photo: Joris Telders

Italy's government is also spurring (electric) bicycle sales, but not through direct purchasing subsidies. 2016 saw the launch of the '10 cycle paths' projects, a total investment which exceeded €360 million. It's something Italy has never seen before, as several political measures pursued in past years have not stimulated the use of the bike. Whether it had a strong impact on e-bike sales is hard to say. However, Italy's e-bike category showed strong growth in 2016; up 120% compared to 2015. 124,400 e-bikes were sold last year.

As said in the UK there's something brewing. According to a recent report by the Guardian newspaper, UK's Transport minister Jesse Norman said that an e-bike subsidy could happen. It would bring e-bikes in line with electric cars for which the UK government offers purchase subsidies up to £4,500 (over €5,000) per vehicle. The Bicycle Association of Great Britain (BAGB) is pushing for an e-bike subsidy scheme as the UK government states that Low-emission vehicles are eligible for it.

Belgium is also encouraging commuting by bi-

cycle. Employers can reward staff for commuting by bike, paying them €0.23 for every kilometre they cycle. Hundreds of thousands of e-bike riders in Belgium are participating in this 'cycle to work' tax scheme. In 2015 the Belgian national government spent €93 million for this pro-

## Next to growing popularity government's subsidies on e-bikes are also spurring sales.

gram which has been extended to speed-pelecs recently.

In Sweden the government has presented a budget for 2018 that includes a 25% subsidy for all e-bike sales up to 2021. It has allocated over one billion krona for boosting e-bike sales and use. This amount boils down to close to €110 million. Everyone who buys an e-bike from now up to the end of 2020 is granted a subsidy of 25% on the e-bike's retail price up to SEK 10,000 (€1,000) per e-bike. The country's cyclists' federation Cykelfrämjandet advocated for this subsidy scheme, it was inspired by fellow European Cyclists Federation member for Norway, Syklistenes Landsforening. This federation managed to get an e-bike subsidy for residents of Norway's capital Oslo. The Oslo city council is supporting cycling and offers a NOK 500 (€550) subsidy for residents buying an e-bike. With this subsidy scheme the Oslo city council is exemplary of Norwegian politicians that are actively promoting cycling. The e-bike subsidy schemes in Sweden and Norway were made

possible with the (financial) support of ECF's Cycling Industry Club which is actively pushing for more subsidy schemes all around Europe.

## Outlook 2017 and beyond

Electric mountain bikes are pushing the markets in Europe this year. In these markets overall conditions are being described by Shimano as 'moderate'. Other (listed) main players like Accell and Halfords also offer indications on where 2017 will end up sales-wise. A limited growth is the overall conclusion when viewing published interim results. The results report for Accell Group says that the holding company managed a 3% increase overall in net turnover. This result is being pushed by Accell's Winora business in Germany which came to the rescue and made up for the turnover drops in other countries. In Germany the sale of Haibike and Ghost-branded e-MTB's proved their popularity again with a 19% increase in sales. Also in the 'Rest of Europe' higher sales of electric mountain bikes accounted for a turnover growth of 4%. But in the Netherlands sales were down by 10% and in North America by a big 22% due to heavy online competition.

Europe's biggest bike market Germany also sees 'moderate' conditions in the first half of 2017. Overall sales were even down by 2.2% as reported by the country's industry association ZIV but with e-bikes and in particular e-MTBs being the big exception. Germany's e-bike market is expected to grow this year by over 12% with total sales to end at 700,000 units. For the UK Halfords reported a 5% rise in cycling sales being pushed by e-bikes, as well as premium bikes. Regarding the longer term, in particular for Europe, Shimano, holds high hopes. It's "because of the diversification of bicycle types, including e-bikes."

## No Legal Limitations for E-MTBs

The category that is pushing e-bike sales throughout Europe and which is also expected to boost future sales has almost no legal limitations. E-MTBs are excluded from the type approval legislation that came into force January 1, 2017.

This means that there's no limit to maximum speed or (electric) motor power for e-bikes as long as they are 'intended' for off-road use. While speed e-bikes (categorized in the type approval legislation as L1e-B 'mopeds') have a maximum power

limited to 4kW and a maximum speed of 45km/h, such limitations do not apply to e-MTBs; the e-bike model that nowadays is rapidly growing in popularity. More at [www.bike-eu/whitepapers/](http://www.bike-eu/whitepapers/)

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