

Bicycle Retailer

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and INDUSTRY NEWS



South Carolina retailer branching out into B2B market.

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STATE of RETAIL



Jodie Gates, Partner, Oregon E-Bikes, Hood River, Oregon

Describe your dream bike shop and where it would be located ...

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COVID fuels break-ins, shop cooperation

By Ray Keener

PORTLAND, Ore. — Smash-and-grab thefts from bike shops have risen dramatically during the COVID-19 pandemic. But the phenomenon has led shop owners in several markets to start organizing and cooperating to share information. Some also are working more closely with local law enforcement, with mixed results.

BRAIN reported on a rash of shop break-ins in a March 2020 cover story, reported just before the

pandemic took hold. It was already a problem. But since then, shop owners and law enforcement say the well-publicized nationwide bike shortage and boom in demand has fueled a bigger wave of theft.

"People are more desperate than usual," said Eva Frazier, co-owner of Clever Cycles in Portland, Oregon. The shop has been broken into three times since the pandemic began.

Besides the bike demand, other factors contribute, she said. "During COVID, the streets are really

BREAK-INS page 13

Police bike contracts have limited appeal to many retailers

A long bidding process, delays in payment, and usage concerns have complicated the market.

By Dean Yobbi

SAN DIMAS, Calif. — As a law enforcement bike retailer for 25 years, Aaron Roesler understands the reality of this niche market.

"It's not lucrative," said Roesler, the CEO of American Bike Patrol Services. "There's a running joke that if I had to live off of police department (bike) sales only, I would probably be (living) under the freeway. I think it's more of a relationship."

It's a relationship built more on trust than profit, Roesler said. Winning the contract to provide bikes to law enforcement will not appeal to all retailers, especially high-volume

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Take a hike

All signs point to even higher prices for bikes

By Steve Frothingham

WILTON, Conn. — Graduates of whatever microeconomics classes come before the 101 could predict price hikes in 2020, given the supply and demand misbalance.

Through last September the average retail price of bike products was up 22%, compared to the same period last year, according to NPD Group. And this year will likely see retail prices go up another 10-25%, experts say.

Some major suppliers held the line on pricing through the summer, but most implemented wholesale price increases in the fall and some upped them again around the turn of the year.

HIGHER PRICES page 12

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FROM THE COVER

POLICE BIKES

sellers, because of lower margins. But retailers working with law enforcement receive satisfaction of enhancing community policing.

Law enforcement wants “to make sure that they’re getting their needs met, and a lot of problems with bike shops are that some of them do a great job of supplying, and some police departments may not need a whole lot,” said Roesler, whose company supplies bikes for police, military bases, and to fortify casino, airport and border security teams. “Other police departments that are bigger and more established want specifics, and a lot of bike shops can’t meet that.”

Getting paid can take time

He added that to obtain a contract, a retailer has to deal with the finance department of a city or organization, “which a lot of bike shop entities don’t want because it takes a long time to get paid. You have to put out thousands and thousands of dollars of equipment, and you don’t see that money for 30 to 60 days.”

He said an agency could place a big order, and depending on the accounting department and other factors, a retailer can be kept waiting for payment.

Michael Espejo, owner of the Police Bike Store based in Rockaway, New Jersey, concurred, saying each contract and sale can be unique and require more work than a regular bike sale, including quotes,



Outfitting a large law enforcement agency can benefit a retailer by providing guaranteed income during a shop’s lean months.

bidding, and the process sometimes going on for years before closing. A balance must be made between offering product at a price that can win the bid but still be profitable in the end, he said.

“There is paperwork and processes that we often have to go through to become an approved vendor of a department or the municipality,” Espejo said. “One of the biggest challenges is that we often have to offer terms to the departments when they purchase the product, and there are usually delays in receiving payments for various reasons, including going through different approval processes before a check can be issued. This can create cash flow issues.”

However, landing a big contract in which a fleet of bikes are acquired over the course of a year or two can boost a local bike shop during lean months.

Retailers who carry an array of

accessories and offer exceptional service also will appeal to law enforcement, Roesler said.

As for service for law enforcement and the general public, Roesler operates Mobile Bike Pros, a 12-van onsite service and delivery company. “We go to Hawaii, Oregon, Washington to service bikes,” he said. “We will send technicians on a plane to go fix bikes.”

Usage concerns

Repairing community trust with bike patrols became an issue in some cities during the summer of 2020. The Black Lives Matter protests shed light on how some police use their bikes to control crowds. Video of law enforcement officers using bikes as weapons created a stir in the bike industry. Some companies — like BikeCo, the North American distributor of Fuji bikes, and retailer Mellow Johnny’s in Austin, Texas — paused and/or stopped selling to law enforcement.

In addition, Defund Bike Police, a social media movement, started a spokesperson for the group told BRAIN in January it continues to make “small ripples and forcing change in the industry piece by piece.”

Its petition, calling for “the cycling industry to divest from police contracts,” started over the summer and has about 8,100 signatures through mid-January.

“I respect the fact and understand brands not wanting to see their bikes used

by law enforcement to protect themselves against aggressive protestors,” an industry source who did not want to be identified said. “I do not look down on that at all. And if a bike shop entity also feels that they no longer want to work with the police department, I respect that fact.”

Positives outweigh negatives

The International Police Mountain Bike Association, a nonprofit educational organization that also offers patrol bike training, said in a statement there’s a financial risk to companies suspending or halting law enforcement sales.

“If and when companies that have suspended sales to police departments ‘unpause,’ they may find it difficult to woo back their customers. Their actions upset not only departments and law enforcement officers, but also their families, friends, and supporters. In addition, other brands have quickly stepped in to voice their continued support and win their business.”

Mellow Johnny’s pulled out of its five-year \$200,000 contract to provide bikes to the Austin Police Department in August over concerns they were being used aggressively to block Black Lives Matter protestors from Austin roads.

In early January, the city of Austin recommended that Bicycle World Texas out of Waco take over the five-year contract.

Despite hurdles retailers have to clear to secure a contract, most said it’s worth it. “The best part has been the great friendships that have been made in working with customers and others in the industry over the years,” Espejo said. **BRAIN**

FROM THE COVER

HIGHER PRICES

Nick Hage needs every finger on one hand to count off factors explaining the price increases. Hage is general manager for North America and Japan for Dorel’s Cycling Sports Group,

Exchange rates.

“The dollar just keeps getting weaker ... and there’s room for it to go down more,” Hage said.

In the last year, the U.S. dollar has fallen 9% against both the Taiwan dollar and China’s renminbi, 5% to Japan’s yen and 10% to the Euro. While the U.S. hasn’t imported a lot of bikes or components from Europe recently, it does import European softgoods and e-bike motors.

Material costs.

“All commodities have been steadily increasing since April, once the production boom started,” Hage said.

Aluminum is up 15%, and rubber is up by 50% or more. Steel prices were up about 20% in 2020, and China Steel Corp.,

Taiwan’s biggest steel maker, announced another 9.5% increase on Jan. 14.

Even corrugated cardboard is up 10% in the last year, with a sharp price increase in November.

Labor costs/shortages.

Taiwan has a shrinking population: in 2020 the country’s deaths exceeded births for the first time.

Due to the labor shortage Taiwan’s factories depend on guest workers from Thailand, Vietnam, Indonesia, and the Philippines. But COVID-19 is curtailing labor migration and limiting production.

China, Vietnam and Cambodia also have labor shortages.

“Factories need to hire more, but they have to pay more overtime, if they can even find people,” Hage said.

“All the labor costs are hitting the factories and they are passing that right on to us,” he said.

Tariffs.

Since they were first imposed in 2018, the industry has earned exclusions from many of the tariffs the Trump administration added to Chinese imports, which

ranged from 7.5%-25%. Importers were refunded the tariffs they already paid.

But on Jan. 1 the exclusions expired.

Now most Chinese bikes, e-bikes, frames, tires and tubes are again subject to the trade war’s 25% tariff, in addition to existing tariffs. Helmets, bike lights, wheels, handlebars and seatposts are again subject to an additional 15% tariff.

While President Joe Biden may take a new approach to fighting the trade war, he is not expected to surrender; tariffs will likely stay in place for the time being.

Freight.

By sea, land or air, moving products around has become slower and more expensive. Contracted ocean freight rates are up 40%. Spot container rates, which vary depending on market conditions, are about 2 ½ times the contract rate.

“Even at the higher rates, we are still unable to get enough containers to fulfill demand,” Hage said.

Freight cost increases alone can add \$15 to \$25 per bike compared to a year ago.

“That’s not so bad on a high-end bike,” Hage said. “But that’s a big increase when you are talking about a \$600 or \$700 bike.”

The rule of thumb is that a \$1 increase in cost for an importer equates to a \$3 on the sales floor. So the freight cost increase alone might add \$75 to a bike’s MSRP.

Domestic freight costs are also on the increase. Last June UPS added a \$31 surcharge on large packages like bikes; in October it increased the surcharge to \$50 for the holiday season and then lowered it back to \$31 in January.

Across the board.

Most or all major brands increased retail bike prices by \$30 to \$100 per bike around the turn of the year. Some implemented hikes prices across the board, others adjusted to market conditions.

Dealers tell BRAIN they’ve seen increases from Trek, Specialized, Giant, Cannondale, Kona and others.

In a normal year, the increases might curtail sales, but few expect that this year, as most of the factors that created the 2020 bike boom persist. The challenges also persist and several suppliers told BRAIN they expect the shortages to last until at least the first quarter of 2022. **BRAIN**