

Bicycles



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BICYCLES

Supplier capability in China

EXECUTIVE SUMMARY

China's bicycle industry is taking several steps to prop up sales and sustain financial viability in the months ahead. Since Global Sources last covered the sector in October 2008, overseas demand weakened at a faster pace, as reflected by export volume declining at double-digit rates during November and December. This culminated in a total drop of 4 percent for the year 2008.

Aggregate sales, however, rose 18 percent to \$2.6 billion, primarily as a result of higher prices. The growth also reflected a better sales mix, with more midrange and upscale units estimated to have been shipped overseas.

Despite the industry's positive sales performance, concerns about softening demand are mounting, with some companies reporting 70 percent fewer orders in the past six months. In January, year-on-year comparisons of customs statistics show export volume and value declining 34 and 12 percent, respectively.

As consumers continue to remain frugal amid the economic slowdown, several suppliers have started reducing prices to stimulate buyer interest. Companies are generally reluctant to compete solely on price, however, as they do not want to engage in a price war that may prompt certain markets to initiate anti-dumping investigations. Further, most cannot afford major cuts without risking profitability, since labor-related expenses and additional testing fees keep margins slim despite lower raw material costs.

Amid this business environment, the following are some of the key trends we see in China's bicycle industry.

- Suppliers will continue shifting to the midrange and high end. In line with this, they will enhance their design capability and quality management systems by investing in additional training for key personnel.

- Efforts toward product differentiation will range from simple

changes in aesthetics to improved practicality, ergonomics and safety. Heightened environmental awareness will also be reflected in several releases.

- In terms of geographic market, suppliers will continue to expand their reach beyond North America and the EU. Many are exploring Eastern Europe, the Middle East, South and Central America, and Africa for growth opportunities.

- Most companies will also widen target segments. Besides creating units for cycling enthusiasts, several are developing models for students and office workers who live in urban areas.

- Export sales are expected to return to a growth track in the next 12 months. A few suppliers are expecting the increase to exceed 20 percent.

This report covers the major types of bicycles manufactured in China. These have been classified into six categories, namely mountain, BMX, racing, city, children's and electric bikes. The different styles offered in each category, their common features and price determinants are detailed in the Products and Prices section. An overview of the parts and accessories that suppliers export is also provided.

The Industry Overview discusses the issues affecting production and exports, and the strategies suppliers are implementing in the face of these challenges. In addition, this section describes the composition of the supplier base, and the key characteristics of small, midsize and large makers.

Details about the local industries in Tianjin and the provinces of Guangdong, Jiangsu and Zhejiang are given as well. Bicycles and related components from these areas constitute more than 80 percent of China's total output in the two lines. Their overseas shipments account for 90 percent of the nation's aggregate.

In this report

- 17 in-depth company profiles
- 48 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

CONTENTS

INDUSTRY OVERVIEW	7
Supplier summary	
Export statistics	
Main production centers	
Supplier demographics	
Bicycles	10
Bicycle parts & accessories	14
Supplier survey	15
Export prices, export sales, major challenges, target markets, capacity expansion plans, product trends, efficiency, capability	
SUPPLIER PROFILES	19
Supplier locations	
Industry composition	
Exporter ranking	
Supplier matrix	
Production checklist	
Supplier profiles	
PRODUCT GALLERY	63
Top-selling export products	

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INDUSTRY OVERVIEW

China's bicycle industry is intensifying efforts to reverse the downward trend in exports. Since we last studied the sector in October 2008, overseas demand for the line and related products such as frames, forks and signaling devices has continued to weaken, with some companies reporting 70 percent fewer orders in the past six months.

For nonelectric bikes, several noted that the decline accelerated during the last quarter of the year. Customs statistics attest to the downturn, with monthly export volume during the period falling 17 percent year-on-year. In contrast, shipments from January to September posted an overall drop of only 0.5 percent.

Total export volume in 2008 slid 4 percent to 57 million units. Revenue, however, rose 18 percent to \$2.6 billion, due primarily to the higher value of products sent overseas. This was partly a result of prices being raised to cover currency risk and higher manufacturing expenses, and a consequence of efforts to shift the sales mix toward midrange and upscale designs.

In January, however, higher per-unit value failed to buoy exports as the volume of bicycle shipments fell 34 percent compared with the same month in 2008. Despite the average unit price increasing more than 30 percent to \$54.68, total revenue from overseas shipments went down 12 percent to \$184 million.

In contrast, during the same month, shipments of electric bikes, motorcycles and other cycles declined 28 percent, but sales remained robust and rose more than 20 percent to exceed \$18 million. Still, there was a marked slowdown from 2008, when the total value of products sent abroad reached \$252 million, 49 percent higher than exports the year before. In terms of volume, the total number of units shipped was only 14 percent lower than the 2007 aggregate.

In the case of related parts, export sales slid 16 percent to just over \$160 million. This is a significant decline, considering that the category posted growth of 24 percent in 2008, breaking the \$2 billion mark.

Suppliers generally expect demand to remain sluggish in the months ahead, with consumers keeping a tight fist on discretionary spending amid the recession. To stimulate buyer interest, several companies plan to cut their quotes, generally within 5 percent. In fact, a number of enterprises have already done so, taking advantage of lower raw material costs. Steel tubes, for instance, fell to about \$700 per ton in March this year from \$1,080 per ton in mid-2008.

Nonetheless, even as they are trying to gain or sharpen their edge in pricing, suppliers are reluctant to engage in a price war, especially a drawn-out one, as this may prompt certain markets to initiate anti-dumping actions. Presently, China-made bicycles and related parts are still subject to a tariff of up to 48.5 percent in the EU.

Further, many companies expect the cost of metal and other production inputs to revert to a rising trend in the next 12 months. Most businesses also cannot afford major reductions in quotes because higher testing fees and labor costs keep total manufacturing outlay high and margins slim.

Midrange segment growing

To differentiate their products and thereby avoid competing solely on price, many suppliers are making low-cost improvements such as offering multicolor or multilayer coating.

Under efforts to enhance long-term competitiveness, companies are accelerating plans to boost design capability and quality management. This is, in part, also a response to buyers subjecting samples to greater scrutiny, revising and refining specifications several times before confirming orders.

Supplier summary

Suppliers surveyed	17
Export sales	\$66.2mn
Export ratio	66%
OEM business	60%
Capacity utilized	44%
Annual R&D spending	\$4.8mn
Full-time employees	3,329

Data: All surveyed suppliers

Many enterprises are investing in additional training for key R&D and production personnel to be able to release innovative high-performance units. During this period of economic uncertainty, several anticipate midpriced models ranging from \$50 to \$100 to constitute between 50 and 60 percent of bicycles that China sends overseas.

Releases will target a range of geographic areas. While North America is still considered a key market, many companies are exploring business opportunities in the Middle East, South and Central America, Africa and Eastern Europe. In fact, in 2008, sales of China-made bicycles to North America declined by 18 percent. Revenue from other markets, excluding the EU and the Asia-Pacific region, grew 11 percent.

A number of makers are also aiming to expand their customer base beyond cycling enthusiasts, as the market has already become saturated. Several are developing units suitable for students and office workers traveling short distances.

In line with these product objectives, more city bikes or models for urban commuting are being created at many manufacturing facilities. Through this, suppliers hope to increase penetration of the EU and North America, where demand for such bicycles has been growing along with environmental concerns and gas prices.

In the past five years, several cities in the two regions have instituted bicycle sharing or rental systems as part of efforts to generate energy

China National Aero-Technology Import & Export Guangzhou Corp.

China National Aero-Technology exported an average of 2,000 electric bikes every month in 2008. Revenue from the line amounted to \$5 million, accounting for 1.7 percent of total annual sales.

Models were shipped under OEM and ODM contracts to North America, Europe, the Asia-Pacific region and the Middle East. In the next 12 months, the company is expecting revenue from bicycles to increase more than 20 percent, with the EU as the primary market.

China National Aero-Technology

operates a 5,000sqm factory in Guangzhou, Guangdong province. Capable of producing 2,500 bicycles monthly, the ISO 9001:2000-certified plant is equipped with cutting, polishing, punching, welding and plastic-injection machines. It also has surface treatment facilities and assembly lines.

The company employs more than 200 people. Of its workforce, 10 are in the QC department and another 10 specialize in R&D. In 2008, activities related to the latter received an allocation of \$150,000.

Company facts

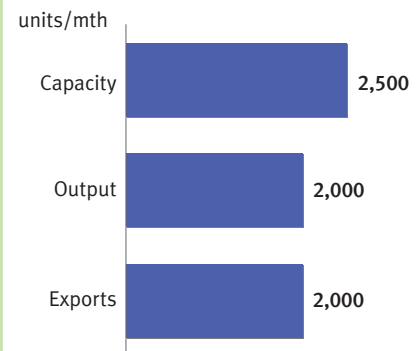
Year established	1979
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Guangzhou (Guangdong)
Number of factories	1
Factory location(s)	Guangzhou (Guangdong)
Total factory area	5,000sqm
No. of full-time employees	220
No. of R&D/design staff	10
No. of QC staff	10
Annual sales (all products)	\$300.0mn
Annual R&D spending	\$150,000
ISO certification	Yes

Sales & output: Bicycles

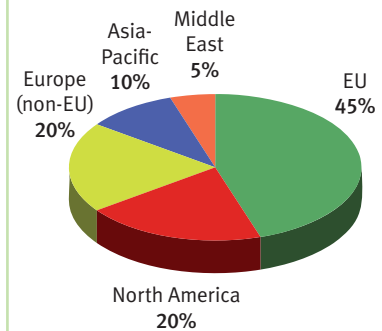
Annual sales	\$5.0mn
Share of total sales	2%
Annual export sales	\$5.0mn
Total monthly capacity	2,500 units
Average monthly output	2,000 units
Capacity utilized	80%
Average monthly exports	2,000 units
Export ratio	100%
OEM % of exports	40%
ODM % of exports	60%
OEM % of exports	—
Other products made	Automobiles, motorcycles, boats, auto parts and accessories, unicycles, batteries, medical instruments, outdoor furniture, building materials, camping gear, salon products, lights, security devices

Profile

Production



Export markets



Contact details

Business contact

DENG Arthur

Phone

(86-20) 8221-7617

Fax

(86-20) 8221-6587

E-mail

arthur.deng@caticgz.com

URL

www.caticgz.com

www.globalsources.com/gzcatcic.co

Address

4F South Tower, Poly International Plaza, 1 Pazhou East Road, Haizhu, Guangzhou, Guangdong, China

Capability

Production checklist

Cutting machines	10
Polishing machines	10
Punching machines	5
Welding machines	10
Plastic-injection machines	2
Coating & spray-painting lines	2
Assembly lines	3

Exports by product

Mountain bikes	—
BMX bikes	—
City bikes	—
Racing bikes	—
Children's bikes	—
Electric bikes	100%
Bicycle parts	—
Bicycle accessories	—

Exports by market

North America	20%
European Union	45%
Europe (non-EU)	20%
Asia-Pacific	10%
Middle East	5%
Other	—

Outlook

- **Export prices**
Increase
- **Export price increase**
More than 15%
- **Export sales**
Increase more than 20%
- **Target market**
European Union
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Yuan-USD exchange rate
- **Export capability**
Widen product range
- **R&D focus**
Environment-friendly designs

Popular export models



Electric bike

Model	Bight
Minimum order	100 units
Packaging type	Carton
Delivery time	45 days
Indicated price	\$520.00

Description: Mountain bike style; aluminum alloy and carbon fiber frame; 7 speeds; 26in wheels; front and rear disc brakes; 36V 8Ah Li-ion battery; CE, EN 14764, RoHS, UL



Electric bike

Model	Compy
Minimum order	100 units
Packaging type	Carton
Delivery time	45 days
Indicated price	\$495.00

Description: City bike style; aluminum alloy and carbon fiber frame; 7 speeds; 26in wheels; front and rear Shimano V-brakes; 24V 8Ah Li-ion battery; CE, EN 14764, RoHS, UL



Electric bike

Model	Enduro
Minimum order	100 units
Packaging type	Carton
Delivery time	45 days
Indicated price	\$495.00

Description: City bike style; aluminum alloy and carbon fiber frame; 7 speeds; 26in wheels; front and rear Shimano V-brakes; 24V 8Ah Li-ion battery; CE, EN 14764, RoHS, UL

PRODUCT GALLERY

BMX, city & mountain bikes



Kespor
(profile page 34)
Model: KS26BC10
Minimum order: 100 units
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$70.00
Description: City bike; steel frame; 26in wheels; front and rear coaster brakes



Ningbo Wealthy
(profile page 42)
Model: PLK-1004
Minimum order: 500 units
Packaging type: Carton
Delivery time: 35 days
Indicated price: \$160.00
Description: City bike; aluminum alloy frame; 24 speeds; front and rear disc brakes; front fork suspension; CE



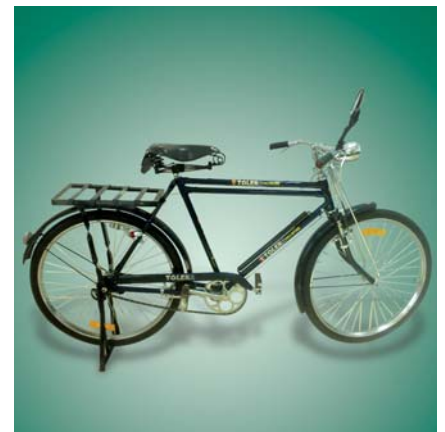
Ningbo Wealthy
(profile page 42)
Model: PLK-1001
Minimum order: 360 units
Packaging type: Carton
Delivery time: 35 days
Indicated price: \$200.00
Description: City bike; aluminum alloy frame; 3 speeds; 12in wheels; front and rear disc brakes; CE



Tianjin Ocean
(profile page 44)
Model: TY-MTB049
Minimum order: 200 units
Packaging type: Carton
Delivery time: 20 days
Indicated price: •
Description: Mountain bike; steel frame; 18 speeds; 26in wheels; front direct-pull cantilever and rear disc brakes; front and rear fork suspension; 15kg



Tianjin Ocean
(profile page 44)
Model: TY-BMX004
Minimum order: 200 units
Packaging type: Carton
Delivery time: 30 days
Indicated price: \$57.00
Description: BMX bike; steel frame; 20in wheels; front and rear U-brakes; 13.5kg



Tianjin Ocean
(profile page 44)
Model: TY-CITY012
Minimum order: 1,080 units
Packaging type: Carton
Delivery time: 30 days
Indicated price: \$38.00
Description: City bike; steel frame; 26in wheels; front and rear hand brakes; 19kg

• Information not disclosed

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