

TRENDS IN MOUNTAIN BIKES

Conclusions

Sales of mountain bikes have slowed, a trend that is expected to continue, largely due to increased interest in other types of bicycles, particularly comfort bikes and free-ride bikes. • Prices of mountain bikes have held relatively flat for the past year, and that trend also is expected to continue, but consumers are getting more bike for the money. • Mass merchandisers are taking market share in lower end (<\$300) mountain bikes. • RockShox remains the leader in suspension systems, with Manitou a strong No. 2, but Fox is the hot name in suspensions right now. Fox is expected to continue to gain market share, mostly at the expense of RockShox.

To check on trends in the mountain bicycle industry, 13 independent dealers, four industry experts, and seven officials of original equipment manufacturers (OEMs) were interviewed.

UNIT GROWTH

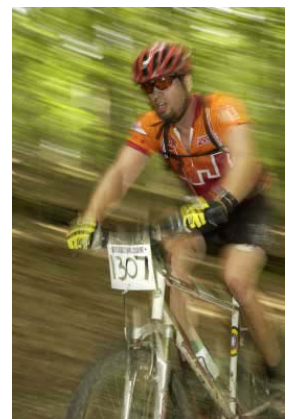
Sales of Mountain Bikes are flat to down for OEMs and dealers

Mountain bike sales have slowed this year for all OEMs, who blamed the decline on a sluggish economy, weather cycles, and a shift in interest from mountain to other types of bikes. Fuji Bikes president Patrick Cunnane said, "There really isn't a hot category in mountain bikes. The high-end, dual suspension mountain bikes were off a little and didn't grow share. The market was just off." Stevens Bikes product manager Volker Dohrmann said, "The overall number of mountain bikes is going slightly down, and the proportion of mountain bikes in our range is no longer growing." Toby Feuling, president of Alpine Designs, said, "Sales have been flat. I'd say weather always plays into it, but also George Bush and the economy."

Dennis Lane, director of product development for Giant Bicycle, agreed that growth is down. He offered some additional insight as to what is driving the trend, "There are a couple of theories floating around. I don't think the trend will continue drastically down, but, instead, will level out. One theory is that we are in a 'use' phase, which means that people already have their equipment and aren't buying because the market is saturated. So, like any outdoor activity, you have these peaks and valleys. The theory is that this will eventually introduce new people, so 'use' phases like this typically last three to seven years. Statistically, we think we are in about year four of this. The second theory is that it's just the economy and that things will pick up as the economy picks up."

For dealers, mountain bike sales were flat for six, down for five, and up for two. A Maine dealer said, "Aggressive mountain bike sales have dropped over the past three to four years." A Colorado dealer said, "Unit sales are down. The weather killed our sales. We've been in a drought for the past 24 months...We also had record-breaking heat 21 of the 31 days of July and 15 days of August 2003. No one wants to ride in those temperatures. I haven't seen the weather improving yet; the water levels in the mountains are still low. People like me are having to advertise our product and assemble more than we used to do. The big box bike shops in the metro area are another concern for smaller shops in those venues." A Utah dealer said, "We are certainly in a declining (mountain bike) market. One of the reasons the market continued to hold for a while was that people were buying mountain bikes even though they needed another style bike because there weren't other styles in the public eye. People wanted a road bike, but they bought a mountain bike and put smooth tires on it. They wanted a comfort bike but bought a mountain bike and put a fat saddle and different handlebars on it. But now manufacturers are building different styles to address that, and that is hurting sales of the average mountain bike."

Fred Clements, executive director of the National Bicycle Dealers Association (NBDA), said, "Mountain bikes flattened out as a percentage of the average bike shop's sales. One of the things that drove the sales is that when mountain bikes first were invented, a lot of the sales went to casual



cyclists. Since then, a new category emerged to take that spot, and that's the comfort bike. It looks like a mountain bike, but basically it's a new category. So the decline in mountain bike sales appears greater than it is because of comfort bikes. Comfort bikes are made for comfort, with a soft saddle, more upright seat positioning, easier gearing, but other than that, they look like mountain bikes." Will Meiser, of *63xc.com* magazine, said, "I think sales are growing, but I think it's getting harder to distinguish mountain biking from other forms of riding." Mountain bike enthusiast Joel Gwadz said, "Mountain biking is alive and well. There's been a lot of attention lately to road bike sales because of Lance Armstrong and the Tour de France. That got a lot more people into high-end road bikes, and, as an offshoot, into mountain bikes."

In general, both OEMs and dealers agreed that mountain bike sales would stagnate over the next few years. Giant's Lane said, "It will be a couple of years before mountain bike sales growth picks up." Cannondale's Steve Metz said, "I see with so many industries that you find that things come home to roost. The enthusiast segments of the market tend to solidify, and you don't have as many people in the sport, but those who are, are much more serious." Fuji's Cunnane said, "In five years, I think the percentage of mountain bike sales will be even smaller."

PRICING

Pricing is holding fairly steady, but consumers continue to get more bang for the buck

Experts, OEMs, and dealers agreed that prices are holding relatively steady, but consumers are getting more bike for the money. So, in effect, prices are coming down. The average sales price (ASP) went down for five dealers, rose for three, and remained flat for five. One expert said, "The improvement in technology has made cheaper bikes much better than they used to be. Ten years ago a \$300 mountain bike would have been marginal in performance, but now for \$300 you get something that works well and is fun to ride." Another expert said, "Most bikes are imported from Taiwan, so a lot has to do with exchange rates, politics, and trade issues. But bikes today have more features, so you get a lot more for the money... We think the bike shop is the one that sets prices. The manufacturer can suggest a price, but it's up to the retailer to set the price, and at the street level we have seen shops doing a pretty good job of maintaining margins. Independent Bike Dealers (IBDs) are not in a get-rich business, and the margins in bikes sometimes don't cover operating costs of the business. Bikes are generally 50% of what a typical shop sells. If they manage well, they can make a couple of points or break even, but they can make some money on parts, accessories, and repair/service." A third expert commented, "Prices are coming down as Chinese and Taiwanese products come on line, but the companies are still introducing new things to the top-of-the-range bikes, so it will take some years (for those savings) to trickle down. That's why the expensive stuff stays that way."

OEMs said that price points vary by channel, and they saw no clear trends. Giant's Lane said, "Everything is flat at all price points." Trek's product manager said, "The entry-level sport customer is out there and still buying bicycles, but he is not buying the next level. Some are skipping the middle level, and it seems that the transition from the entry-level to the high-end is going full bore. People are buying more into the sport and not doing the steps. For example, they're going to full suspension and skipping over the hardtail midsection." Cannondale's Metz said, "Price definitely varies by channel, and when I talk about prices, I'm talking about the IBD

prices, with whom we deal exclusively." Kyle Casteel, product manager at Raleigh, said, "Price points are fairly stable. You can get an entry-level full suspension bike between \$800 and \$1,000 and go up from there. But manufacturing is becoming more cost-effective, so prices are better."

The OEM perspective:

- Three OEMs said average prices are up. One executive said, "The average selling prices have gone up; it's an enthusiast's market. The ASP has gone up on average \$50 to \$75. That can be seen as fairly significant to a company like ours that specializes in high-performance bikes." Another commented, "There is value in all segments and you're getting more for your money. The ASP in retail stores has gone up, but that indicates that more serious people are buying, again driven by the road market, because, on average, they are more experienced than mountain bikers. ASP at retail for road bike – flat bars or rod bars but narrow tires and no suspension – is \$1,300 versus \$600 for front and dual suspension mountain bikes. It looks as if this trend will continue for the next year. The average price of road bikes is going up because of new components, and the average price of mountain bikes is coming down a little because it's not really a must-have, real expensive item." A third said, "Prices are holding or rising depending on the segment. \$1,000 bikes and up are rising in price, while \$200 to \$500 bikes are flat."
- One OEM said prices are flat. An executive said, "Retail has been a bit flat across the board – not just at bike shops, but at retail we've been hammered. It seems we're coming out a little now."
- One OEM said prices are down. He said, "Prices are generally down. There are downward price pressures, partly because other companies are moving manufacturing to China as well as fluctuation of the dollar. Mountain bike prices have been flat, and so have sales, so prices are down about 5% to 8%."
- Two OEMs said prices are mixed. One OEM commented, "It's tough to say; prices are still all over the place."

OEMs also noted that the definition of mountain bike has changed, especially in the low-end market. Fuji's Cunnane said, "Mass market sells what they call mountain bikes. In units, 80% of mountain bikes are sold in the mass market, so it depends on how you define it. The consumer defines it by how it looks, so mass merchants sell a bike that's \$59 retail that they call a mountain bike, but a dealer wouldn't call it a mountain bike."

Dealers also reported a downward pricing trend. A Maine dealer said, "Prices at Wal-Mart have gone down, and prices at bike shops have gone up because entry-level bikes are being sold now in Wal-Mart, so people buying in bike shops are upgrading. The average ticket in a bike shop is \$250 to \$400, depending on the brand." A Louisiana dealer said, "The ASP has come down quite a bit. You can get a bike now for \$300 to \$400 that five years ago would have cost \$1,000... Certainly there is price competition, but we haven't seen too much of prices going down. But by holding steady, prices are actually going down." A Texas dealer said, "Our ASP went up a little because we are still selling some very expensive bikes and a few more inexpensive ones." A Florida dealer said, "On the upper end, prices went up a little, on the lower end, prices were steady." A Minnesota dealer said, "Prices are up less than 10% vs. two years ago, but the technology has improved, so the bikes are a better buy for the money... Money goes further every year. Every year you get more bike for the money." Another dealer said, "Bikes are like

computers – the \$500 bike today was \$1,500 a few years ago.” A southwest dealer said, “The ASP went down, but you get more for your money.” A California dealer said, “The average selling price is dropping steadily and will continue to do so.” Another West Coast dealer said, “Bikes are getting better-equipped each year for the same price, so there’s been no upward pricing trend. If anything, it’s gone down slightly.”

Sources agreed that prices are beginning to stabilize. Clements at NBDA said, “We’ve had some good years. Last year was off a bit, but we are pretty healthy as an industry.” Pete Webber at the International Mountain Bicycling Association (IMBA) said, “Prices are stable; they aren’t coming down.” A Louisiana dealer said, “I don’t think there is much further prices can come down without the bikes becoming Wal-Mart bikes.” A Texas dealer said, “I expect the trend to continue. We’re more worried that equipment manufacturers will start making their own brand or that companies will start selling directly to consumers. The scary future would be if you could go to the Trek website, order your bike, order everything, and then have Trek send it to us or to you with a coupon voucher to bring to us to put it together.” A Colorado dealer said, “Prices may remain the same, but components will improve at each price point.” A California dealer said, “Bikes are getting better-equipped each year for the same price, so there’s been no upward pricing trend. If anything, it’s down slightly. Given the exchange rate trends, it’s likely this won’t be the case much longer.” A Maryland dealer added, “A lot of European stuff is going up in price because of the dollar against the euro, and a lot of Japanese stuff is coming down in price. A lot of parts are coming down, but that is seasonal, and they do that regularly.”

Price competition among the various bike brands is heavy, but it is not lowering overall prices because manufacturers are adding features instead. A Minnesota dealer said, “Everyone is close on price, but there are no price wars.” A Colorado dealer said, “Most bike companies are in the same price range. Frame materials and components are equal at their respective prices.” A California dealer said, “The price for equal equipment is very similar. The bikes that are hot are the ones getting the most newsprint.” A Louisiana dealer said, “Certainly there is price competition, but we haven’t seen too much of prices going down. But by holding steady, prices are actually going down.” A Maine dealer said, “Companies promote heavily. Diamondback and Raleigh are pure marketing companies. The manufacturers aren’t competing on price and driving the price down; they’re treating dealers better and improving customer service. The players left in the specialized bicycle industry realize that to be professional you have to have returns. The bike companies want to be considered companies that offer dealers an opportunity to earn a reasonable return.” Another dealer said, “Pricing is pretty competitive, and it should drive prices down, but as long as bikes come with Shimano parts, they will stay steady in price.” A Florida dealer said, “Profit margins are squeezed, but making the bikes in Taiwan means they can add features for the same price.” A Texas dealer said, “If you look at a certain price point, say \$1,000, and look at every manufacturer, most of the parts will be identical. If you double the price, it will be better quality versions of the same apparatus. If you are spending \$20,000 on a car and you look at Ford and Chevy, they both have the same engine, so you are buying on look and wheels. Trek and Cannondale Bicycle, which actually manufacture in the U.S., have more differences and have to sell on innovation more than Giant, and so on.”

OEMs agreed that selling prices do vary by channel, segment, and price points. Cannondale’s Metz said, “Prices definitely vary by channel; when I talk about prices, I’m talking about the IBD prices,

which is with whom we as a company deal exclusively. The segment ASP of the bikes we’re focusing on here, the hybrid, is lower than say the ASP of a full-suspension mountain bike or performance road bike, but there are other factors that have helped cycling in general.” Giant’s Lane said, “I think that the price points you see at the mass merchants have a capacity of about \$400 to \$500 at the most, so you might see a slightly higher number of sales at that level because people are still buying bikes by price point. There are two different bike industries: mass merchant and bike shops. Sixty-five percent of mass merchants are locked into a very, very price-conscious consumer, whereas at a bike shop you’ll find customers who are more willing to pay for the technology. For example, we have a carbon composite bicycle, which is a very, very hot trend right now, and it’s just now starting to get popular. It’s an expensive, pricey product and you won’t see anything carbon at the mass merchant level. Our least expensive carbon composite is a road bike that sells for around \$2,000 retail.” Raleigh’s Casteel said, “Selling price definitely varies by price point. As far as what drives the masses of sales, people definitely want something at an attractive price. So as far as our market goes, we do pretty well and sell a ton of bikes at around \$500 retail. Our other line, Diamondback, does well at the multi-sport stores like G.I. Joe’s.” Alpine Designs’ Feuling said, “It all depends. In IBDs, they carry from probably \$500 to \$600 bikes and up. Below that threshold, they’ll have RockShox, for example.” Stevens Bikes’ Dohrmann said, “Due to the rise of the euro against major purchasing currencies such as the U.S. dollar, the yen, and the new Taiwan dollar, we expect slightly falling prices.”

MARGINS

Bike manufacturer margins are slim, at least on IBD channel bikes, experts explained. NBDA’s Clements said, “2003 was a rough year for manufacturers. The bike companies are not flush, and there is not a lot of margin to give...With the exception of RockShox, which had some financial troubles, the companies are doing okay. At the high-end, where a lot of companies need to make their mark – with the racing crowd, higher-end buyers, and enthusiasts – they are doing okay. The high-end continues to be pretty good. When you get to the heart of the market, margins are right for everyone, but there is not a lot of room for error.”

Most manufacturers said that the effect of pricing trends on margins are mixed:

- **Not affected.** Giant’s Lane said, “Margins are not affected per se. We are one of the strongest companies in the world. The margins are still pretty close to our benchmark of 45%, which allows dealers some flexibility on their competition.”
- **Increased overseas competition.** John Riley, product manager at Trek, said, “We are one of the two companies left that produce bikes in the U.S. The biggest effect on our margins has been overseas competition. Our competition with imported product has caused us to reduce our margins, and we do have bikes down to the \$400 range.”
- **Tighter.** Cannondale’s Metz said, “Our margins are tightened, and there’s not much we can do about it. Kids’ bikes are really being sold in the lower price points and are sold more in the Wal-Marts and big box stores. They aren’t a threat to a company like ours; we’re really focused on the high performance market, and a large portion – 50% to 75% – of adult bikes with an ASP over \$300 are sold through the independent dealer, as they should be.” Alpine Designs’ Feuling said, “The dollar is slipping so much, every time I buy from a distributor it seems that something has gone up a couple of dollars, so my margins get tighter.”

➤ **Up slightly.** Fuji's Cunnane said, "With the level of price competition among brands, the dealer margin has gone up a little but it's still a very competitive market, especially at the high-end. People shop a lot and interest pricing keeps prices competitive across the board." Stevens Bikes' Dohrmann said, "We can gain the needed margins in all of our segments since we don't compete to the mass markets, and our dealers do not discount the product."

COMPETITION

Industry experts said bike companies compete mostly on technology, features, and color – not price. NBDA's Clements said, "Color is the biggest factor in a lot of purchases. Most of the time, bikes at a given price point have the same components. Companies try to differentiate, but the bikes are pretty close." Webber, of the IMBA, said, "Manufacturers definitely compete on technology in terms of trying to make a better product to win customers. It's, 'Who has the next big innovation?'" Color and graphics also are a big deal. Companies try to differentiate what are essentially very similar products."

GROWTH DRIVERS

A wide variety of factors drive growth, including the economy, new technology, price, weather, the school calendar, and availability of trails. The mountain bike industry generally tracks the economy, but at the high-end it has some independence. The IMBA's Webber said, "Mountain bike sales are tied to the economy. They are like a durable good. They are a luxury, a hobby-type thing, but they are less sensitive to the economy than other things because, even in difficult times, people stick to their hobbies. They don't give up on their passions just because maybe they are feeling a pinch in the wallet." Meiser, of 63xc.com, said, "There are economic drivers, but there are also cultural/lifestyle considerations that don't have much to do with the economy." The NBDA's Clements said, "The bicycle industry as a whole goes up and down as the economy trends up and down. All recreational industries realize that the economy affects sales." A Maine dealer said, "As soon as the economy improves, I think mountain bikes – and the rest of the industry – will improve." A Hawaiian dealer said, "Mountain bikes track the economy pretty well." A Texas dealer said, "The economy does make a difference. The economy is starting to pick up, and we're looking for sales to increase, but money-wise I expect sales to remain flat." A Florida dealer said, "The main name brands definitely track the economy." Another dealer said, "In my 25 years experience, when the economy is good, people buy, and when the economy is bad, people fix." A California dealer said, "I don't think it's the economy. It's a sport that grows or declines with the age bracket on which the advertising is focused."

Sources indicated that less expensive bikes are more sensitive to the ups and downs of the economy than pricier ones. Giant's Lane said, "It can be the economy. A bicycle expenditure is not considered a necessity. But enthusiasts have disposable income, and, for the most part, they are not driven by the economy; they're fairly solvent. And then there are the less expensive bikes – both at retail and at mass merchants – where the economy will play heavily in sales." Trek's Riley said, "The economy has a minimal effect. The economy helps, but there are years when the economy is horrible and bike sales are good. So the bike industry is a little more resilient than other industries." Cannondale's Metz said, "To some extent, bike sales follow the economy, but I think that people who enjoy a sport do it

regardless of how the economy is doing. The hybrid comfort market is fueled by the economy a little bit, but if you're an enthusiast, you enjoy mountain bike riding or road bike riding regardless of what the economy is doing." Stevens Bikes' Dohrmann said, "The general economy is slow in central Europe, and sales in the sports sector are not good at all. Bike sales, on the other hand, are good in 2003/2004. The climate is good for bike sales abroad, but the mountain bike doesn't capitalize on that as well as some other sectors do."

New technology also drives growth. Raleigh's Casteel said, "Two important points are technology and price. New technology always drives sales, and people are realizing that they can get more for the money. They're spending a little more and holding onto those bikes a little bit longer."

One of the critical issues affecting mountain bike sales is a shortage of trails on which to ride them, but weather, fads, fashion, and advertising all can play a role.

- Fuji's Cunnane: "Where there are good trails, riding has increased a lot. Hard-core mountain bikers need trails, and one of the reasons many people feel the market is declining is because people don't feel safe to ride, so they're not going to the trails to ride as frequently as in the past."
- Texas dealer: "Since the 1990s, the places to ride have been reduced by more than 50%."
- Minnesota dealer: "Trails are hard to come by these days, especially in our area...A lot of time mountain bikers feel kind of criminal on multipurpose trails, and they get yelled at by people walking their dog."
- Louisiana dealer: "The economy is just part of it. It also has to do with access – good places to ride off-road."
- Another Louisiana dealer: "Locally, we don't have much of a problem. We are getting more and more mountain bike parks and places to ride here. But nationally, trails are becoming more and more of a problem."
- Hawaiian dealer: "There are no public trails here. A lot of the trails are on private property. A lot of people just go around the non-trespassing signs, but some are uncomfortable doing that."
- Utah dealer: "The lack of trails is holding back sales."
- Maine dealer: "The industry is promoting access through Bikes Belong – which is funded by many of the manufacturers, dealers, and parts companies – to create trails for mountain biking. The industry understands it needs to promote to the average user, not just extreme users. All the bike magazines are targeted to the enthusiast...It's the independent bike dealer who is promoting to ordinary people. Bike manufacturers need to target more advertising to *People* magazine, TV, etc."
- Maryland dealer: "The government is actually helping with the federal transportation bill. Quite a bit of money is going into building bike trails throughout the country...The weather is also a factor. Most mountain bikers have an environment-friendly ethic, and when the trails are muddy, they generally don't ride."

In fact, weather, regionality, and even fashion trends often affect sales. Trek's product manager said, "Growth tends to be regional... It's hard to pinpoint, but in the areas where there are a lot of enthusiasts, full suspension is a rapidly evolving area. So we're seeing a lot of sales there because the technology is getting so interesting...In general, the sport has received some recognition, including the enormous popularity of Lance Armstrong. Now, that's road bikes, but people don't necessarily buy what Armstrong has. They do,

however, get the idea of riding, of getting the bike out of mothballs and realizing that they need something new. Another thing is the college calendar. College students always buy \$200 to \$300 bikes every year when the fall semester starts.” Bike expert Joel Gwadz said, “Race promoters have been having a hard time. Fewer people are racing, and rain and snow last year didn’t help. Mountain bikers also do not ride in the rain. But the Tour de France and Lance Armstrong have helped bike sales.” Clements of NBDA said, “Weather affects sales. If winter is late, and the industry loses two months of sales, you don’t make them up. Spring break is key for our industry.” A Louisiana dealer said, “Some of it is just fashion – whether the trend in fitness is off-road or road riding.” A Florida dealer said, “Biking is often an emotional decision, especially with females. Color also has a lot to do with it. Often, manufacturers offer only one or two colors, so you’re stuck with that year’s colors, and that’s a 12-month run.” A Texas dealer said, “Growth is driven by what’s the ‘in’ thing.” Stevens Bikes’ Dohrmann said, “Factors driving growth include a positive image of cycling in Europe, environmental concerns, dealer presentation and events, and weather. It also happens to be an inexpensive form of transportation.”

WHAT’S GROWING...

Experts cited free riding, endurance racing, and do-it-all bikes as the fastest growing areas in mountain bikes. IMBA’s Webber said, “What we call free-riding is where all the energy and growth in the sport has been for the past couple of years. It’s hard to define. It’s a combination of technology (suspension systems, tires, handlebars) that enables bikes to ride more challenging terrain, and, on the social side, it’s personal limits and pushing oneself, not competition but challenge. People who do it need more and better suspension, and that’s been great for the bike industry, because everyone needed to replace their suspension with the new versions, so free-riding has driven many things in the sport, and manufacturers have been able to develop and sell a whole new era of products. The only problem is that it’s a small segment. It’s a growing segment, but it will stay small. Another growing segment is endurance racing, where races last longer than a couple of hours. Twenty-four-hour racing is biggest there. Usually there are relay teams of five or six friends who get together and do the race.” Meiser, of 63xc.com, said, “More riders are realizing that the ‘pure’ mountain bike is not useful for road and general purpose riding, and buyers are looking for do-it-all bikes.”

One category that has seen increased sales in recent years is the so-called “comfort bikes.” Although they look like mountain bikes, comfort bikes have a more relaxed geometry, with a focus on just that, comfort. The crank is a little lower, and they generally have a front suspension fork, adjustable handlebars, a more upright seat, a seat cushioned in the back, smoother tires, pedals made for street shoes, street tires, lower gearing, and maybe fenders. This makes comfort bikes more stable but not as quick handling as traditional mountain bikes. NBDA’s Clements said, “Mountain bikes have flattened out as a percentage of the average bike shop’s sales. When mountain bikes first were invented, a lot of the sales went to casual cyclists. Since then, a new category emerged to take that spot, and that’s the comfort bike. It looks like a mountain bike, but basically it’s a new category. So, the decline in mountain bike sales appears greater than it is because of comfort bikes.” A Maine dealer said, “The 26-inch wheel category has been fairly steady because of the rise of the comfort bike. These bikes are not designed for trails, which most people don’t ride – only young people ride the trails. A larger part of the market wants a comfort bike...this category has

risen from 0% – three to four years ago – to 15% to 16% of the business. Traditional mountain bikes are about 28% of sales...The 26-inch wheel category was about 6% of the industry five years ago. Now, it’s 44% for mountain bikes and comfort bikes together.” A Louisiana dealer said, “The comfort category is growing the most. Families who in the past used mountain bikes to ride with the kids are riding more on comfort bikes now.” A Maryland dealer said, “We are seeing the biggest growth in comfort and pavement riding bikes.”

Road bike sales also are up year-to-year. Road bikes differ by wheel size and type of riding. A Texas dealer said, “Mountain bikes are like a truck, and road bikes are like a sports car...Road bike sales are up 20%.” Another dealer said, “There has been a surge in road bikes because of the Tour de France.” A third dealer said, “It seems road bikes are on the increase now.” A Minnesota dealer said, “Road bikes are where most people are going. Lance Armstrong rides one. It is easier to ride a road bike because people don’t need to find a trail. Also, mountain bikes are getting fancier and fancier, so it is confusing for customers...You can’t pedal mountain bikes around town.” A Louisiana dealer said, “Road bike sales are way up.” A California dealer said, “Road bikes are currently seen as more exciting and approachable, so they are getting an increasing percentage of sales.” A Maryland dealer said, “Road bikes have doubled in the last years, from 6% to 12% of sales.”

The fastest-growing segments in bikes are:

➤ **Road bikes.** This is the overall bicycle category with the greatest growth, sources said. Fuji’s Cunnane said, “Mountain bikes were down, but road bikes were up a lot. What’s happened with the end-user base is that the enthusiast market is expanding, casual riders are declining, and experienced enthusiasts are also getting into road riding as well as some high-end mountain bike riding.” Giant’s Lane said, “The road bike segment is the fastest growing consumer segment, which is kind of funny because for years and years mountain bikes were just hands on. But it is the enthusiast road biker, not the causal cyclist, who usually still goes for comfort bikes. The mountain bike industry has actually created an upsurge in road bike sales because people tried mountain bikes, saw the road bike thing going on, and then decided to buy a road bike.” Cannondale’s Metz said, “The fastest growing segment – honestly, the fastest – is probably the road bike. It’s a pavement bike but it’s really a step up from the comfort hybrid bike.” Trek’s Riley said, “In general, bike riding has received some recognition that has trickled down from Lance Armstrong.”

➤ **Full suspension bikes.** Trek’s Riley said, “Definitely full suspension is very important in the very high-end category.” Cannondale’s Metz said, “Full suspension is definitely growing in the mountain bike category. People like it. It makes the ride more pleasurable, it makes the ride safer, and your body doesn’t take as much punishment.”

➤ **Hybrid or fitness bikes.** Cannondale’s Metz said, “The percentage is tough to put a finger on, but you could say that at least 10% of the bikes selling now are hybrids. I’d say that percentage is growing, but probably only in the single digits.” Raleigh’s Casteel said, “We see more of an increase in what people call hybrid or even fitness bikes and the flat bar road bikes. We’ve seen sales increase in those categories because riders don’t have to travel out to a trail; they can get on their local bike path and ride right outside their door. It’s an upright position and it’s more comfortable.” Stevens Bikes’ Dohrmann said, “Bike categories such as trekking and hybrid bikes, called comfort bikes in the U.S., are having growth rates of up to 15%.”

➤ **Free-ride bikes.** Alpine Designs' Feuling said, "The fastest growing segment in mountain bikes is probably the free-ride market. It's heavier duty, north shore-style riding. The media is driving that right now."

➤ **Comfort bikes.** Some OEMs also mentioned a slight increase in comfort bike sales. Fuji's Cunnane said, "There is a definite shift from low-end mountain bikes to comfort bikes. Comfort bikes are up 7% to 10%." However, Alpine's Feuling said, "Comfort bikes have flattened out a bit." Cannondale's Metz said, "Mountain bikes boomed in the 1990s, especially with college kids who thought they needed a bike, and then they went out and got a mountain bike. But statistics have put the number of mountain bikes that actually get ridden off road at about 1%. In the 1990s, everyone felt the need to have a mountain bike. What's happened now is that people realized, 'Hey, I'm never going to ride this off road; I need something that fits me, like a mountain bike, and is a pavement-worthy steed. The comfort bike, or hybrid bike, is essentially a bike with much thicker tires. It's very stable and it's used for pavement, whether it's rails-to-trails or a city park. You see people on either performance road bikes or comfort bikes today."

Dealers pointed to a variety of fast growing segments:

- **Florida:** "What's taken off is Specialized Bicycle's dual slalom dirt bikes, a front suspension mountain bike that is hardtail in the back. It's more like a dirt-jump bike on 26-inch wheels, and it is set up more for free riding."
- **Minnesota:** "Guys already riding who want the newest and coolest things are the fastest growing segment."
- **Texas:** "Disc brakes."
- **Colorado:** "Full suspension is growing quickly. Magazines are focusing on full suspension, and the consumer thinks that is what he needs. Free-ride and downhill are the fastest growing. BMX riders have grown up, and the downhill and free-ride markets appeal to them."
- **California:** "People are getting into free-ride bikes as they grow out of their BMX bikes."
- **Maryland:** Full suspension technology – front and rear – has gotten to where it is very efficient, user-friendly and lightweight. Basically, full suspension bikes really started happening 10 years ago, but it wasn't taken seriously. Now, there are a lot of designs, they are easy to deal with, the prices are coming down, and the technology is a lot better."

...AND WHAT'S NOT

Non-suspension bikes, down hilling, mid-range bikes and ultra-high-end mountain bikes have all slowed. A Colorado dealer said safety equipment sales also have been slow, "People are not buying safety gear except in states which require helmets." A mountain bike expert said, "Single-speed bikes are dead merchandise sitting in a shop. Over-specialized bikes are slow too." IMBA's Webber said, "New riders are a declining segment." NBDA's Clements said, "Non-suspended bikes are losing market share." Raleigh's Casteel said, "Mountain bikes, compared to last year, were down as far as hardtail goes. Overall, the beach cruiser market is growing, comfort bikes are down a little bit over the year – between 2002 and 2003 – and riding mountain bikes have dropped down quite a bit. Front suspension has fallen and dual suspension has fallen a

little bit, but the average price increased by about 4.9%. So, overall volume sales fell by 5% but prices increased about that much."

The segment with the slowest growth is bikes in the \$500 to \$1,000 range, particularly hardtail bikes and mountain bikes. Alpine Designs' Feuling said, "For the IBDs, I'd say low and mid-range mountain bikes are losing because places like Wal-Mart are so cheap." Stevens Bikes' Dohrmann said, "The slowest segment is the range of inexpensive full suspension bikes – those selling below \$900. The typical purchaser doesn't trust the quality. They are heavy, and have poor technical specs."

Stevens Bikes' Dohrmann said, "The mid-range and cheap bikes don't sell as fast. But there is an increasing interest in high-end mountain bikes, including the hardtails – bikes with front fork suspension – or full suspension bikes. The people who are now purchasing mountain bikes are dedicated riders who already own a mountain bike and have good riding experience and technical knowledge, as well as high expectations as far as quality of the bike and its components, weight, and price are concerned. So Stevens is still growing with overall mountain bike sales, although we have declining overall numbers...The upper segment of quality mountain bikes sells very well. This is the range of \$1,000 upwards. The reason is that there is a dedicated special interest group of riders with high mileage and high expectations, and they are buying the bikes."

THE OUTLOOK

Dealers offered a mixed picture of high-end bike sales, with half saying they are doing well, and half saying sales are soft. Low-end bikes are strong. The weakest segment is mid-range bikes. A Texas dealer said, "We are selling inexpensive and expensive bikes. It is the middle ones that slowed down." A Florida dealer said, "The high-end is up a little because of the advent of disc brakes, but we sell more of the low-end." A Texas dealer said, "High-end sales are off a little, and the low-end is about the same." A Minnesota dealer said, "The low-end is always the most popular, and we sell more of that here." A California dealer said, "High-end sales are very infrequent, and low-end sales remain strong, but the average person buying a low-end mountain bike isn't using the bike for off-road riding." A Louisiana dealer said, "At the high-end, road riding has shown strong growth." A Utah dealer said, "The middle range (\$500 to \$1,500) is sort of suffering. The low-end (<\$500) is still hanging in there, but there is a lot of competition from the mass marketers. The high-end is persnickety, but there is a market." Clements of NBDA said, "Suspensions are expensive, and the extra feature costs money. Comfort bikes are generally lower priced, so what's left in mountain bikes is higher priced suspensions and slightly better non-suspended bikes."

Growth by Price Segment for One Bike Manufacturer

Category	Trend
Entry-level hardtail (\$200-\$400)	Slight decline (10%)
Entry-level full suspension (\$400-800)	Decline 10%-20%
Mid-range hardtail (\$500-\$1,100)	Slight decline or stable ±5%
Mid-range full suspension (\$900-\$1,400)	Stable or decline 0-5%
High-end hardtail (\$1,200+)	Growing 10%-20%
High-end full suspension (\$1,400+)	Stable or small increase 0-5%
Overall	2%-5% decline per year

Dealers and industry experts alike expect these trends to continue. Webber of the IMBA said, "I expect it to flatten out. We had such high growth because it was a new sport, but once someone has a bike, he or she doesn't need to replace it frequently, so there is a plateau or decline. We believe participation in the sport is steady – flat, not growing, but not declining." A Louisiana dealer said, "I anticipate that mountain bike sales will stay pretty much where they are now." Another dealer said, "Shimano is putting out some interesting stuff (on mountain bikes) that I think will pick sales up. Usually you need a thumb and finger to shift and your whole hand to brake, using separate levers. Shimano has integrated both things, and people really like that." A Texas dealer said, "Prices will go up at retail approximately 10% to 15%, due to the fact that a lot of the parts groups have gone up. The upper-end will grow, and the low-end, \$300 bike will grow, but you can't bank your business on that." A Minnesota dealer said, "Sales have been flat for three or four years and will continue flat." A California dealer said, "The mountain bike market is steadily going down. The extreme sport fad is fading off and along with it is hard-core mountain bike riding. The consumers who made mountain bike riding big are getting older and are not into the extreme sports." A Florida dealer said, "I can't see any change in the near future." A Utah dealer said, "I think sales will start to decline. More and more baby boomers have expendable income, and if the bicycle industry can capture that and make bike riding appealing, so they don't feel they are risking life and limb to get on the roads, then they could reverse that."

OEMs expect these trends to continue for at least the next few years. Giant's Lane believes the high-end market will take a couple of years to recover. He said, "It will be at least a few years before sales pick up...With regard to overall unit sales, the high-end market is being affected more heavily than the affordable entry-level. I think that will continue for the next couple of years, because it doesn't spike the same as backpacks or hiking boots. So things are going to be flat for all channels."

IBDS VS. MASS MARKET

True mountain bikes aren't sold in the mass market, but by independent bike dealers, and consumers are often confused. A Texas dealer said products sold by both independent bike stores and mass merchants baffle consumers, "We are a Schwinn dealer, but you can find a Schwinn at Wal-Mart and Costco, too, so consumers think we're gouging. But we have a better Schwinn product as well as a better service component." An industry expert agreed, "Some of the bigger brands have gotten into Wal-Mart. If someone buys a \$3,000 bike but goes into Wal-Mart and sees it for \$100, he doesn't understand the difference." Another expert said, "Wal-Mart has many bikes the size of mountain bikes, with knobby tires, but they are too inexpensive and cheap to perform off-road. So sure, the mass market sells many more mountain bikes than independent dealers, but they aren't true mountain bikes. Wal-Mart bikes are not ridden off-road." An OEM agreed, "Mass merchants don't sell much of what we consider mountain bikes. Most of the units in the country are sold through the mass merchants, and the average price is less than \$100. We like to tease and say those bikes are sold to be sold, not to be ridden. The market is very price-driven, not feature-driven, so the mass merchandise industry marches to a different drummer."

On average, dealers estimated that 66% of mountain bikes are sold by independent bike dealers and 34% are sold by mass marketers. A Maine dealer said, "In the past three years three major brands – Schwinn, Giant, andongoose – were bought by Pacific Cycle – so

named because they are built in the Pacific/China. Those were brands that formerly were sold only at independent bike dealers. So, there's been a change overall in quality and selection. There's also been a big change in price because they are able to bring in those names to sell in the mass market environment." A Louisiana dealer said, "In unit sales, mass merchants account for around 70% of bike sales, and in dollar sales, they are about 50%. That is pretty steady. The mass market can't sell anything over \$150. Periodically, they try, but no one buys them." A Hawaiian dealer said, "Our mountain bike sales have slowed down. Maybe it is a fad or the weather, but people have been buying more mass market bikes." A Colorado dealer said, "Independent bike dealers are attempting to compete with the mass merchants...but the mass merchants are selling bikes with components equal to ours sometimes for 35% less."

Growth by Market Segment for One Manufacturer

Category	Trend
Mass market	No sales in this channel
IBD price point \$250-\$500	Growing
IBD price point \$500-\$1,000	Flat to down
IBD price point >\$1,000	Growing, largely because of full suspension bikes

Dealers are as worried about the Internet as they are about mass marketers. A Louisiana dealer explained, "There are more Internet sales. A lot of dealers, like Trek, require that buyers go to a dealer to buy their bike, but you still end up with a lot of eBay, Internet, etc., sales." A Texas dealer said, "The Internet is really killing us. So is eBay, mail order, and not having financing. The key thing that has held the bike industry in the Dark Ages is that we don't have any financing. It's cash and carry." A Colorado dealer said, "I think independent bike dealers are going to have to demand cheaper bikes to compete with mass merchants. Co-op advertising has gone away, but the national advertising campaigns haven't left bike-specific magazines. Trek has done some advertising but only during the Tour de France...I think these big companies should be on regular channels helping to sell their products."

SUSPENSION SYSTEMS

Most mountain bikes are now sold with front suspension, according to sources. On average, 92% of the bikes sold by dealers have front suspension, and 19% have full suspension. A dealer said, "A couple of years ago, we were selling some bikes with no front suspension, but even the low-end bikes have all gone to front suspension." A Texas dealer said, "Thirty-five percent of my bikes are full suspension. There are no full suspension bikes under \$1,200. Lower-priced full suspension bikes aren't good quality." A Minnesota dealer said, "Forty percent of the bikes on my floor have full suspension. If someone is looking at spending \$800 or more, it is full suspension. It is totally worth it to get a full suspension bike." A Colorado dealer said, "Full suspension is only 10% of my sales. If it gets cheaper, that will change." A Maine dealer said, "Fewer than 5% of the bikes we sell have full suspension. A good one costs a lot, and a cheap one is a pile of loose nuts and bolts. A cheap system is nothing but a problem. We service them all the time. Dual suspension is very expensive, and it doesn't necessarily match with what a higher-end user wants – he often wants a lighter bike with front, not rear, suspension." A Louisiana dealer said, "We don't stock full suspension, but we can special order it."

OEMs said that, on average, 89% of mountain bikes have front suspension and 26% have full suspension. Giant's Lane said, "We have hardtail mountain bikes with front only and six bikes with full and two high performance bikes without rear. Trek's Riley said, "Front suspension is going down a little, maybe to 88%, and full suspension has grown consistently for the past five years." Fuji's Cunnane said, "We've been behind in the U.S., and sell very few mountain bikes with full suspensions, but that is changing." Stevens Bikes' Dohrmann said, "We have no mountain bikes without suspension. In the high-end sector, the proportion of full suspension bikes goes up to 40%."

OEM Mountain Bike Suspension Use

Company	Front Suspension	Full Suspension
Alpine	100%	25%
Cannondale	95%	20%
Fuji	N/A	Few but increasing
Giant	100%	40%
Raleigh	60%	20%
Stevens	80% - 85%	15% - 20%
Trek	90%	30%
AVERAGE	89%	26%

The popularity of full suspension is growing. Dealer comments included:

- *Maine*: "More guys, especially racers, are going to full suspension, even in Florida, where we don't have big hills. You need suspension to save wear and tear on your body. Full suspension is becoming very important."
- *Texas*: "Interest in full suspension has gone up as the quality of front suspension has come down to a more reasonable price point."
- *Minnesota*: "The market is growing and growing."
- *Colorado*: "The consumer thinks he needs full suspension."
- *Louisiana*: "Fully suspended bikes are on the rise right now. As bikes get lighter and lighter, we can add suspension."
- *Maryland*: "At the high-end, more people are adding full suspension. I think it's time to start considering it. They finally feel good and efficient."
- *Utah*: "Full suspension is increasing, and at lower price points."

Industry and OEM sources also believe the suspension trend is growing and will continue. Comments included:

- *Clements of NBDA*: "We think the trend will continue...Riding off-road is bumpy, and the marketplace is showing that people appreciate suspension, so, for trail riding, we are not seeing many non-suspended bikes right now."
- *Giant's Lane*: "The number of bikes we're making with full suspension is increasing and is not yet maximized. You can see rear suspension on mass merchant mountain bikes for \$300 and less, so you know the technology is there. It's known, and it's easily producible. We don't have any comfort bikes with rear suspension, but all come with suspension seat posts."
- *Trek's Riley*: "Full suspension has grown consistently for the past five years and we expect that to continue. This is where regionality gets really specific. For example, a very influential area in the world is British Columbia, and they use a totally different suspension product than California or Colorado, so you need

diversity in suspensions. British Columbia is a core area for long-travel bikes, and that's influencing trends worldwide."

- *Cannondale's Metz*: "The number of full suspension bikes is definitely growing as the prices go down. By price point, the vast majority of bikes above about \$1,000 are sold as full suspension bikes. Prices are slowly but surely going down, but they will only go down so far when it comes to full suspension because of some restrictiveness in the manufacturing. As prices come down, the margins are going to get a bit thinner. Typically, full suspension bikes are good for the industry. People need full suspension, and they're buying the more expensive bikes."
- *Raleigh's Casteel*: "Full suspension is definitely growing as a complete category as far as mountain bikes. We (the industry) have seen total mountain bike sales go down, but if you break it out into full suspension and front suspension, we've definitely seen an increase in full suspension, and that will continue."
- *Fuji's Cunnane*: "We don't use one name brand. In different categories we use different brands."

At the high-end, it is very important for a mountain bike to have a brand name suspension system, but at the low-end it is insignificant. A Minnesota dealer said, "Brand name is pretty important. If the suspension wasn't manufactured properly, it would be a real liability if it broke. There are only three bolts holding the suspension together, so if it is not perfect and you hit something big, you could be in a world of hurt." A California dealer said, "It's hard to convince a consumer of the value and reliability of a non-known product on a high-end bike." A Louisiana dealer said, "At the low-end, buyers don't care at all. At the high-end, it's important. It completely depends on the price point." Another dealer said, "It is definitely very important, but it depends on to whom you are selling. Low-end buyers don't care, but it is important to more competitive riders. At least 60% to 70% of buyers care about the brand." A Maine dealer said, "Brand is important. It is important for someone who rides often that the bike has a brand known for dependability and service. And people like to be associated with success...The bottom line is that comfort is a big deal now. If a bike is comfortable, that's a prime motivator for the sale...Premium bikes require a premium component. If you are spending \$1,000 for a bike, there are certain things you need on that bike by name. It is a social thing as well as a usefulness thing." A Texas dealer said, "For serious riders, it is very important. For entry-level buyers, it is not important at all." Another Texas dealer said, "For an enthusiast, it's absolutely critical. For 75% of buyers, it's fairly important. But if they don't know what they are looking for, they typically don't care. It is a value-oriented conversation." A Florida dealer said, "For bikes over \$1,000, it is of utmost importance...Brand suspension is not as important at the lower-end; guys come in and think they want it until they hear the cost." A Colorado dealer said, "Branded components are important. I have customers asking if they can get Trek with something other than Bontrager (a Trek house brand) components." A Utah dealer said, "It's pretty important at the mid-high level. At \$300 to \$500, it's preferable. Below \$300, it is not important."

Manufacturers cited a number of criteria when it comes to spec-ing a fork or shock, including performance, availability, features, new technology, cost, and credibility (of the company).

- **Availability.** Giant's Lane said, "There are all kinds of parameters, such as performance, ability to fulfill an order, and then price. There are a number of manufacturers out there, and they all have their own merits, but in some instances we have been forced to

choose availability and fulfillment over performance. They're all pretty close, but if we can't deliver because of lack of component availability, that's not good."

➤ **Technology and innovation.** Trek's Riley said, "Right now there's a big surge in technology by the three or four major vendors. So really it's technology that's driving front and rear shock specs – what features you're trying to get and how the shock vendor is enhancing your bike with those features." Raleigh's Casteel said, "We're looking for credibility and technology; those go hand in hand. We're pretty much looking for features, like whether or not it'll have lockout. And then weight is pretty important, too." Stevens Bikes' Dohrmann said, "Weight; function, such as sensitivity to shocks, damping characteristics; and special features such as adjustability are important when choosing a fork. Fork makers have to have good service as well as function, reliability, and price. It is a highly competitive business now and there must be innovation plus good base-work/homework every season."

➤ **Performance.** Cannondale's Metz said, "The criteria include the performance of the shock, depending on the segment, and the travel is certainly important...but it really comes down to performance." Fuji's Cunnane said, "Performance is the most important criteria. However, bike brands really compete through the dealer. We're in a segment where the IBD determines what the consumer buys, for the most part, because more than 80% of consumers rely on the information and advice of the bike store. So the bigger brands are able to drive traffic into stores that sell their brands, but the retailer can really influence the sale because it's a one-on-one sale. We have to earn the dealer's business, so our battle is to get in store market share, so our brand is on the dealer floor."

➤ **Design.** Trek's Riley said, "It comes down to the design of the full suspension and what vendor has the best technology to match that design. For example, there is a single pivot design, and full suspension single pivot can be light and efficient, but it needs a shock that also allows the bike to pedal well, and there are technologies that allow that."

➤ **Value.** Fuji's Cunnane said, "The decision is driven by product value, which can be defined. We use a lot of component parts, especially Shimano. If my Fuji has more Shimano than another bike, I can say it has more product value. Or if it's light for the same price, then it has more product value. Brands have brand equity, and some have higher perceived value and that comes into play. Trek, which is the market leader, has consumers looking for its product. There are also other factors. In different categories, such as free-riding or cross-country, weight may be a factor on one model, while travel could be a factor on another. And then, again, there are certain names that have the higher perceived value."

Most sources said that while it might be more cost effective, it isn't feasible for bike manufacturers to make their own components. A Louisiana dealer said, "You would think so, but then you get into compatibility problems. Some companies do that and it ends up causing problems for the end user. For example, Trek made its own pedal, and it looked like a Shimano, which is the industry standard. But the cleat was just different enough to cause a problem when people didn't know it wasn't a standard." A Texas dealer said, "Several manufacturers have tried that in brakes or cranks, and either the quality wasn't there or they didn't save as much as they expected. Consumers are familiar with and want a brand name in main components. They don't want a Trek-branded component." A Maine dealer said, "Trek tried to do that 10 years ago, and it wasn't a success. There is continued evolution in technology, and if you are

not constantly involved, you can't keep up. You can't dabble in this." A Florida dealer said, "I don't think it would be a good idea. A lot of them tried, but they weren't successful. Cannondale makes its own HeadShocks, but not much else." Another dealer said, "No way. They couldn't afford it. 'Buy American' doesn't matter to a lot of people. Most people buy on budget, based on need, or they come in knowing exactly what they want." A Minnesota dealer said, "It wouldn't be cost-effective." A California dealer added, "It would hurt the value when comparing that bike to other bikes in the same price range with brand components." Another West Coast dealer said, "It's tough to make your own brand of components and not have problems with legacy issues."

Two manufacturers – Cannondale and Giant – said they manufacture some of their own shocks. Giant's Lane said, "We currently manufacture rear shocks and have been doing so for four years. In Europe, our high-end bikes spec No Resonance System (NRS) bikes come with Giant-manufactured shocks. We aren't expanding this because they are still high-cache value. Consumers also have a higher level of credibility with products like RockShox, Marzocchi, Manitou, and Fox in Europe." Cannondale's Metz said his company makes about 60% of its shocks and forks, adding, "We do make our own – not 100% – but we do have proprietary fork technology and that's a boon to us. When you can help differentiate your product, it helps you. We're one of the few manufacturers who do make our own (shocks)."

However, most manufacturers cited cost and time as the major reasons for not making their own shocks. Trek's Riley said that his company once manufactured shocks but stopped due to the high costs of R&D and personnel. He explained, "A long time ago, when we only had one supplier and that supplier couldn't meet demand, we made our own forks. But in the years since then the amount of work and R&D to come out with full suspension made it something we wouldn't consider any longer. It's hard enough to build frames and wheels. We have 70-plus engineers, and they're already taxed to the max. Adding suspension technology to that would be doubling the number of people needed. We have ideas that we've taken to suspension vendors, but we used their expertise to develop that. We worked with their teams on partnership projects." Raleigh's Casteel agreed that it is too expensive to make one's own shocks and forks, saying, "There is just too much expense." Fuji's Cunnane said, "We don't have the engineering ability to do it. There are some manufacturers who have gone bankrupt because they over-extended." Stevens Bikes' Dohrmann said, "Creating our own forks and rear shocks takes too much time for development, production, and marketing, as well as investments in service and spare parts. We rely on strong suppliers and have a good relationship with them, since we've worked with them for more than 10 years."

SUSPENSION MANUFACTURERS

Manufacturers generally had good things to say about the four big shock and fork makers. Cannondale's Metz said, "The four biggest suppliers in order are RockShox, Manitou, Fox, and Marzocchi. They are all good for different reasons. They all have varying technologies, and some technologies are fairly similar, and they all have their pluses and minuses. We use them all and we like working with them."

Consolidation has been a recurring theme in the past few years. Clements of the NBDA said, "There have been a lot of buyouts...The industry is not the same, but we may have seen all the consolidation

we are likely to see for a while. The obvious ones have already been done. Three big companies – Trek, Giant, and Raleigh – sell the majority of units. I don't predict a lot more consolidation. But there are 22 companies listed under suspension."

Comments on Some Specific Suspension Manufacturers

Manufacturer	Strengths	Weaknesses
RockShox	Brand recognition Broad line Good supply Good customer service	SRAM purchase stalled growth Lack of recent innovation
Manitou	New SPV technology Kept production in the U.S. Good supply Competitively priced	Some questions about quality
Fox	Leading-edge technology High quality Considered leader in rear suspension	Only high-end products Expensive
Marzocchi	Quality, high-end products Superb technology	Expensive Some supply problems

SRAM's RockShox

Every dealer questioned sells bikes with RockShox forks and/or suspensions. A Louisiana dealer said, "They have the best brand recognition." A Colorado dealer said, "The majority of bikes are still coming with RockShox."

RockShox generally got a good rating from dealers on performance, service, price, and on-time delivery. Another Texas dealer said, "Service and delivery are good. Performance is improving. There are other products on the market that are more technologically advanced than RockShox. RockShox is a Pentium II when Pentium IV is on the market." A Minnesota dealer said, "Customer service has improved, but not the product. RockShox products are pretty decent, but I'm biased because my favorite is Fox." A California dealer said, "They have a strong name." A Maryland dealer said, "RockShox has tried to bring down the price of forks and to be more competitive by moving (production) overseas...but there aren't as many bikes with RockShox as there used to be." A Texas dealer said, "It is very good. It gives good service and delivery."

Industry experts also had positive comments about RockShox. NBDA's Clements said, "Almost everyone uses RockShox on at least some units. RockShox was first to market, and it still has a lot of power in the marketplace...Stable ownership is important in any business. I think RockShox is in a stable environment now. RockShox weakness probably did allow other companies to gain market share...I believe more companies the better; it means more choices for consumers and retailers. My sense is that RockShox is profitable. It moved the bulk of its manufacturing out of the U.S., so its efficiencies are up. Retailers went through a bad time with RockShox, but you don't hear those negatives any more."

Yet, the company came in for some criticism. A Louisiana dealer commented, "RockShox is doing poorly. With RockShox it is name recognition. They used to do a good job of supplying product, but they don't any more." A Maryland dealer said, "I find a lot of bike companies are pulling them off. Cannondale has RockShox, but Specialized has Fox, and Giant is using Manitou the most. Lower level bikes will have Manitou. Only very entry-level Cannondales

have RockShox – that's all the RockShox we have in the whole building." A Texas dealer said, "RockShox used to be the shock to get, and now it's probably number four on the list...I wouldn't ride it." A California dealer said, "Lower-end shocks have largely become a 'disposable' item, meaning that significant repairs or rebuilding can cost close to – or more than – the cost of a new fork. This is inevitable, but it taints the feelings people have for the company's more expensive offerings as well. Mechanics and sales people tend to regard all RockShox as being disposable, even though at the high-end that is not the case."

Most sources agreed that RockShox has temporarily suffered after its purchase by SRAM, but many said that the new relationship will benefit RockShox in the long term. Among the comments by OEM officials were:

➤ "This will be a plus for them because of SRAM's manufacturing prowess. I would look at that association to be a positive...RockShox just went through a transition and went from U.S. manufacturing to overseas, and a lot of people are waiting to see how that shakes out. Traditionally, American companies that went offshore usually performed better, but during the transition there is the time it takes to get things running and quality control has to be stronger. There's also a language barrier to figure out. There is no downside to manufacturing in Taiwan, but it is a learning curve for European and American manufacturers to understand how they do business there."

➤ "RockShox has gone through the washer and back and is now working its way back up. The moves and such definitely hurt them. Manufacturing has now overtaken them, and, probably, to get back on top, they'll need to work on customer service. For a while they were known as 'RockShox sells stocks,' meaning they were selling the name, with guys in suits running the show. Now that SRAM has gotten them my last few experiences haven't been as pleasant, and I think Fox will take some of RockShox's market share."

➤ "RockShox was the market leader for a long time. It was bought by SRAM and they lost the leadership. They still have tremendous market share, though. The rear shocks are sold by the same brand name, but they aren't as brand specific. The design of the frame is more important than the rear shock. The gap has made it easier for other brands to get a clear spot in the market."

Several dealers agreed SRAM has been good for RockShox:

➤ *Colorado*: "I think RockShox has done all right under SRAM. I hope SRAM doesn't suffer because of its dispute with Shimano over its rapid fire technology – and I hope RockShox doesn't suffer from that."

➤ *Maine*: "SRAM has given RockShox new life – I think a good new life – so RockShox remains competitive. Because it is part of a larger company, it has more money for research and customer service, and customer service is a big deal. The perception in the marketplace is that RockShox customer service is very good, and lately the service has been better."

➤ *Texas*: "I think SRAM took care of RockShox's problems. It didn't have the financial backing until it was bought to take care of things. It was getting too big too fast, and now it seems that it has the problems worked out."

RockShox products are not yet perceived to have improved significantly, and RockShox was criticized for a lack of recent innovation and a focus on the two extremes in the mountain bike market – lower-end and higher-end products. A Maryland dealer said, "RockShox has the same forks it had last year...It is making more of

its shocks in Taiwan this year... There hasn't been a lot of innovation. They have focused on – and been successful with – a lightweight race fork, but not a lot of people are opting for that.” A Texas dealer said, “RockShox had a lot of equipment issues and wasn't a competitive price player, so it got beat up by better and cheaper technology. The company didn't position itself well to go after OEMs and put a lot of money into R&D aimed at the super, ultra-high-end product. It is on the way back now.” Another Texas dealer said, “The company has improved a couple of lines, but a couple haven't improved.” A Minnesota dealer said, “RockShox used to be in the forefront of technology, but it has stepped aside a bit, and is just improving on what it has, not coming out with new technology. They're not the 'cool' company they used to be. You kind of don't know what to expect from them.” A Louisiana dealer said, “I really like SRAM, but I haven't seen any improvement in RockShox. I don't think it does a good job of supporting older products.”

Despite its problems and the SRAM purchase, RockShox is considered to be a good supplier that is gaining momentum, with many sources expecting RockShox to regain much of what it lost in terms of momentum and market share. Several sources mentioned that RockShox has suffered during the past few years in terms of technology, on-time availability, and product level, but it is headed to a rebound as a result of SRAM's purchase and reorganization of the company. Cannondale's Metz said, “I think RockShox, from a business perspective, has become a better run operation, and I think it needed this rebuilding year so that in 2005 it will be poised to take some stuff back.” A Maryland dealer said, “RockShox is working on an airspring downhill shock which – for a bike with 9 to 12 inches of travel in the rear – hasn't been done before. It's always been big metal springs.” Trek's Riley said, “RockShox is our best supplier. It's very good. We rank all suppliers by on-time delivery, etc., and RockShox exceeds all requirements.” Raleigh's Casteel said, “RockShox is a great supplier. Its offerings have kind of slimmed down from in the past, but they have some new technologies coming out for the coming years, and they're looking to regain their status and popularity.” Sources mentioned customer service, reliability, and on-time delivery as RockShox's strengths. Fuji's Cunnane said, “It is one company that sells multiple parts, and that helps them because they're marketed as an independent brand and it makes it easier for manufacturers to buy from them. They have a better manufacturing base than they had before.”

Some sources said that RockShox has lagged in terms of innovations but is improving. Giant's Lane said, “One of the reasons we don't spec as much RockShox is that its technology has fallen off. They weren't hitting the kinds of goals that we needed, and SR Suntour came back strong, so for some of our lower-priced affordable mountain bikes we spec that. RockShox's product, for general purpose and some off-road trail riding, is fine, except at the high-end, where we need the name that enthusiasts know.” Trek's Riley said, “To serve us better, I'd like to see more top-down innovation.”

A few sources expressed doubt that RockShox can regain its status. Giant's Lane said, “The level of ability of smaller companies has risen, so we don't need a brand name for a price point bike. There was a time when people asked for bikes with RockShox parts, which told the penetration of the company, but that has fallen off a bit primarily due to its inability to have on-time availability. There were also some quality control issues.” Stevens Bikes' Dohrmann said, “RockShox is declining and losing ground.”

Many dealers believe that RockShox never lost much market share and remains the gorilla in the space. A Louisiana dealer said, “I don't think they ever relinquished their leadership position. The

RockShox name at times has gotten close to being a generic term for front suspension.” Another dealer said, “RockShox is still pretty much in the lead.” A Texas dealer said, “RockShox never lost its leadership position. Its market share dropped, and I'm not sure it regained all of that. It allowed Manitou and Fox to get in there, but RockShox is still at the top.” Another Texas dealer said, “RockShox lost market share, and I doubt it can get it back.” A Minnesota dealer said, “RockShox is the leader, but it isn't picking up market share.”

Despite its troubles, most sources said they think RockShox will be stronger in five years as a result of its relationship with SRAM. Trek's Riley said, “RockShox took a year off to get its house in order. Going into 2005 it has a lot of innovation coming. SRAM will be good for RockShox. We think SRAM is an excellent company and very good, and it is good at turning companies around. It really is the best thing that could have happened to RockShox.” Fuji's Cunnane said, “Can RockShox get back to the level it had before? I doubt it. It will be better managed than before, and strategically a better company, but from a product level, it is now behind, and it remains to be seen if it can ever catch up.”

ANSWER PRODUCTS' Manitou

Mountain bike manufacturers universally praised Manitou as an excellent company. Trek's Riley said, “Manitou is very good, more like the old RockShox, with a full line of excellent products. Top to bottom, it's a very good company.” Cannondale's Metz said, “Manitou is a good company and we like to work with them.” Raleigh's Casteel said, “Manitou is an excellent company.” Stevens Bikes' Dohrmann said, “Manitou is number one with our dealers.” Giant's Lane said, “It's very good, very responsive, very willing to work with us... We have cooperation that is mutually beneficial. We have some proprietary technology from them, and they got some high numbers committed from us for our variable travel product, and we got a three-to-four month exclusive for their stable platform technology for 2003. That gave us a little boost and gave them a commitment.” Raleigh's Casteel said, “Manitou's prices and service are excellent. We deal with Manitou the most, then RockShox, and then Marzocchi.” Alpine Designs' Feuling said, “Manitou produces products that work consistently at a good price with good service, good warranty, and those basics it takes to handle a world-wide distribution. Now with 70% manufacturing in Taiwan, I think the prices are better, and the quality seems to be really nice. We've done a fair amount of shocks since the model year change, and our customers have all been happy.” Giant's Lane said, “We wouldn't be working with them as much as we do if they weren't reliable. Their techs are readily available and responsive.”

Dealers also generally had positive things to say about Manitou, and all but one dealer have Manitou forks and/or shocks on some of the bikes they sell. A Maine dealer said, “Manitou is not spec-ed on as many bikes as RockShox, but it is spec-ed on more bikes lately... Manitou makes a good product, with comparable service, but less visibility... The quality is good, but prices are high. For us, their service has been good.” A Florida dealer said, “It's a pretty good company. I haven't had any warranty or service problems.” A Louisiana dealer said, “Manitou is my favorite company. Its designs and serviceability are very good. Customer service is very good, and there are some new design features that I think work very well.” A Colorado dealer said, “Manitou is strong and taking over. It is coming up with things that are innovative. It has great supply.”

Sources praised Manitou for its innovative technology and product offerings, especially its SPV (Stable Platform Valve) technology.

Cannondale's Metz said, "Manitou is definitely on the go with a lot of new technologies and its product offerings, and it has increased its line...As far as rear shocks, they licensed SPV technology and it's pretty much that the rear shock adds a platform to the rear suspension. It'll reduce a lot of bob on a full suspension design. A lot of people use Manitou's rear shocks to make bikes ride better." Trek's Riley said, "Manitou has SPV this year, and it's hot. But RockShox may have the hot product next year." Alpine Designs' Feuling said, "We have 90% Manitou and 10% Fox on our bikes. Manitou has the most refinement and a lot of innovation...Manitou has high-end features with more economies of scale and a little bit of attention to finish. They aren't quite as nicely finished as Fox, but they generally try to have a little better price point." Giant's Lane said, "Manitou lets us work with them closely and developed a rear shock that was very specific for our design. They are very good at development, and when it comes to hiring, they seem to have a very good understanding of the types of people they need." Trek's Riley said, "Manitou developed into a tech leader with some new technology that is different from Fox. This is a high technology vendor."

Several dealers also raved about Manitou's new SPV technology. Webber of IMBA said, "There is a new trend in suspension that makes it work better. Manitou really pioneered that. One of Manitou's smaller operations (Fifth Element) invented this new technology, but Manitou seems to have been successful in running with it. Manitou should pick up business from this." A Texas dealer said, "This makes Manitou the industry leader for both front and rear shocks. It is inertial technology that changes the ride of the bike, making the bike more efficient." A Minnesota dealer said, "There is a filter in the shock itself that helps filter out the movement in the suspension that comes from pedaling. It makes it feel like a hardtail bicycle, and it allows Manitou to increase the travel of the bike up to five to six inches and weigh only a little more, which gives you more confidence going downhill. Manitou put this on all front forks, and has it available for rear shocks as well." A Texas dealer criticized this new design, saying, "The company tried to make a lightweight fork for racing that didn't have the right weight demographics in mind, so a heavier rider (>200 pounds) was having a lot of issues. I'm a light rider, so I didn't have issues, but they put it on nice high-end bikes, and it was a crappy fork." A Utah dealer said, "SPV is very cool. That takes a lot of mediocre suspension designs and makes them more viable by using the stable platform shock...so bikes that are not so good with full suspension are good with the addition of this."

Dealers generally praised Manitou's other products. A Maryland dealer said, "Manitou has some nice lightweight race forks, some high-end downhill forks, and what it calls 'all-mountain-style' forks, but it is not doing anything really spectacular at this point. The company is being really smart and licensing other people's technology, which costs less in time and R&D investment. The Black Fork has reverse arch technology. It's a really nice fork. Manitou offers everything it makes with its disc brake-only mounts or with cantilever mounts." A Texas dealer said, "It came out with a model that has a buzz which could bring it back to higher standards. This is the new Manitou Minute, which has everyone intrigued about the design. I rode it, and the reaction of the fork on the trail was really nice. There was good fluid travel, which is important on trails." A Hawaiian dealer said, "You either really like Manitou or you don't. People really take sides on that one."

There was some criticism of Manitou among dealers. A Texas dealer said, "Manitou is a total pain in the ass to deal with as a company, but it is hot, hot, hot. Manitou and Fox are the two most sought-after

products we have...Manitou is not an A-level player in terms of quality; it uses a lot of plastic to keep weight down, but the products are pretty easy for most people to work on and tune, which is important. The availability of parts is pretty good, but Manitou is notorious for putting things on the market pretty quickly – before they are ready. Manitou is the recall king." Another Texas dealer said, "A lot of people around here won't ride with Manitou. I have it, but I'm moving to a different brand." A third dealer said, "Manitou needs a lot of maintenance." A Utah dealer said, "I haven't had very good luck with them at all. It sounds like their support group is younger employees." However, few OEMs had any substantive criticisms. Giant's Lane said, "I have no negatives." Trek's Riley said, "Manitou doesn't have enough products that are non-mountain specific. They don't address the comfort and hybrid markets."

Sources had few ideas as to how Manitou could serve them better. Trek's Riley asked for a wider breadth of products. Giant's Lane said, "The commitment for our joint project speaks for itself." OEMs agreed that Manitou will be a stronger company in five years. Trek's Riley said, "If it continues to be a tech leader and makes advances in the various fields, and if it addresses comfort and hybrid bikes, it will certainly be stronger."

On the other hand, some dealers felt Manitou has lost some market share over the past few years. A California dealer said, "Manitou seems to be disappearing off the map, and I don't know why. It may be that it's gotten less spec than other bikes we sell. But Manitou is still a big player." A Maryland dealer said, "Manitou has fallen out of favor to a certain extent with a lot of aftermarket people, but it is still on plenty of OEM bikes."

However, most dealers have not seen much change in Manitou over the past three years. A Louisiana dealer said, "In terms of design and innovation, Manitou has improved a lot over the last few years. In customer service, it has been pretty consistent." A Texas dealer said, "I'm not seeing much change from three years ago, but I think it has gotten more bells and whistles that people are looking for on a new bike – adjustability, ease of adjustment, lighter weight, etc. And I think Manitou has improved since it got closer to the top." A Florida dealer said, "I haven't seen much change, but Manitou did put the arch on the back side of the fork to help a little with lateral stiffness and rigidity. And it changed to magnesium instead of aluminum. But other than that, it is pretty much the same." A Minnesota dealer said, "Manitou is getting the most new specs because it is going cutting edge with technology...There is a new revolution of suspension, and Manitou has jumped on the bandwagon."

Manitou and RockShox products are considered fairly comparable, but Manitou earned praise for keeping production of its high-end shocks in the U.S. A Maine dealer said, "Some people believe Manitou has a better product, but others love RockShox. I think RockShox has a broader line from low to high, with options in between." A Hawaiian dealer said, "Manitou has helped us sell bikes because it is an inexpensive bike, and we use the suspension as a point of sale." A Louisiana dealer said, "Manitou is better priced, so it is good for bargain shoppers. It is not quite as good as RockShox, which is definitely higher-end." A Texas dealer said, "Manitou is equal to RockShox." Another Texas dealer said, "RockShox catered to cross-country, top-end racers when the market was going to longer trail rides rather than the competitive enthusiast. Manitou introduced new technology to a market that was begging for it." A California dealer said, "Manitou is constantly growing and gaining ground on RockShox. I feel Manitou has a better fork in the high-end, but it is very equal in the low-end." Another California dealer said, "To stay competitive with RockShox, Manitou has to focus on the OEMs, but

the aftermarket also is important.” Webber at IMBA said, “Manitou has always played second fiddle to RockShox. Manitou benefited slightly from RockShox’s trouble.” Clements at NBDA said, “I don’t think anyone competes with RockShox because none of the other manufacturers has the same business model. The others are aimed at the higher end. Few manufacturers are aimed at the spectrum like RockShox. I’m not sure the others want to challenge RockShox across the board.”

Fox

The hot suspension company among dealers appears to be Fox. Dealers raved about the company’s products.

➤ *Texas*: “Fox has introduced products into segments where there were only OEMs prior to two years ago. They also have technology that’s pretty impressive. With their motorcycle background, it probably has the best product on the market – the most perfect and durable. Fox has gotten more OEM specs. Fox will hurt RockShox the most.”

➤ *Minnesota*: “Fox is tops. Manitou is next, and RockShox is last. I like Fox. It is exactly what I think a suspension fork should be – no flex at all, which is a problem with some RockShox...Fox has been doing rear suspension forever for snowmobiles, motorcycles, and they know suspension. They really know what they are doing.”

➤ *Texas #1*: “I would ride Fox. My new bicycle will have a Fox, and I always recommend a Fox first. Fox was in the motorcycle industry. They know forks. They have been in the shock industry, too. They have good customer relations, good warranty, and good turnaround time for fixing a problem. Fox will continue to grow. Fox has already blown Manitou and RockShox out of the water and will continue to hurt both of them. I don’t think either Manitou or RockShox will catch up to Fox again.”

➤ *Texas #2*: “Fox will hurt RockShox more than Manitou. Fox has made a big dent in both RockShox and Manitou. It makes front suspension now, too, and it has a lot of experience, so the Fox name means something.”

➤ *Hawaii*: “Fox is pretty good. It’s growing and taking share from RockShox more than Manitou.”

➤ *California*: “The only company with any significant appeal in the marketplace these days is Fox.”

➤ *Maryland*: “Fox is really the industry leader in terms of rear suspension, and it’s getting that way in front suspension. Fox makes shocks for F12 cars, remote control cars, Baja 1000 winners, and snowmobile racing. They make shocks for everything, and the bike side is almost an afterthought in terms of how they got into it, but they are aggressive. It is the No. 1 suspension manufacturer in terms of quality right now...In terms of the after market, people are going with Fox. Manitou licenses Fifth Element’s progressive suspension and is playing catch-up with Fox and Marzocchi...Most people at the high-end are spec-ing Fox. It’s a trend plus it has high quality and durability.”

➤ *Utah*: “Fox is the hottest suspension manufacturer, but Manitou has a new fork that will be really big. Marzocchi dropped the ball this year. But Fox is only at the high-end, where it is hurting RockShox. I don’t see Fox competing at the mid- and lower-range.”

Industry experts also praised Fox but were more conservative in their comments. One said, “Fox entered the fray a couple of years ago. They had been making motorcycle suspensions, jumped into mountain bikes, and really did well. They had a superior product

when they came into the market, and timing benefited them because of RockShox’s problems.” OEMs consider Fox to be a high-end, high quality vendor and technological leader, although its products are considered to be extremely expensive, sometimes prohibitively so for manufacturers. OEM comments about Fox included:

➤ “Fox is a relative newcomer compared to the other companies. Fox is a huge supplier to the snowmobile and motorcycle industries. I won’t say it doesn’t need the bike industry, but it doesn’t have to kowtow to the bike industry. Cost is the biggest problem with Fox. You won’t see them spec-ed at the OEM level, primarily because of cost. Dealers like Fox and would like us to put more Fox on our bikes. If it weren’t a matter of price, we’d do that. But if we put Fox on the bikes at the current prices, it would pump prices up and make it too hard for the dealers.”

➤ “Fox is on the leading edge of technology. They’re expensive, though. You won’t find one on a bike below \$1,500, so it’s the ‘gee whiz’ factor versus reality. RockShox sells a hundred times what Fox sells because of cost, but if you ‘gee whiz’ a customer into thinking he wants a Lexus and not a Volkswagen, you’ll sell him a Lexus.”

➤ “Fox is a rear shock manufacturer that started making forks in the last two to three years. It makes a very good product at the higher-end, and I wouldn’t be surprised if it started taking market share.”

➤ “Fox definitely has a lot of great technology. It’s based mainly out of the U.S. for all its production, and it’s the leader as far as suspension when you look at the motorcycles it supplies and everything else. You pay a little bit more, but, again, there are a lot of people who want to support U.S.-built products. Fox’s product performance is excellent. I don’t have any issues with customer services; they’re pretty good. We don’t really deal with them on a huge volume level, though.”

➤ “All the manufacturers have some Fox on their forks, so Fox is here today. Fox has been the major spec on rear shocks, and already it’s an improvement. Fox has the name, quality, performance, and logo to back it up. Fox is higher-end, obviously. Since they’re so known in the rear shock industry, they have a lot of cache in the industry now that they’re making front shocks. So many people want Fox equipped front and back. And Fox pays incredible attention to quality and detail.”

➤ “Fox makes a good rear shock, too, and part of its success may be that they don’t go down in price point as far as others. You have to spend a lot of money before you buy a Fox product. So Fox is only competing for the high-end; in a car-buyer’s eye, they’d only be available in a Porsche or Mercedes, not in a Ford. You find RockShox in the Fords and Chevys. So Fox is taking the cream at the top.”

➤ “Fox is very good in the high-end and with image.”

Sources predicted a rosy future for Fox. One OEM commented, “We’ve always done a little with Fox, but we probably will break out and do more with them in the years to come.”

MARZOCCHI

This Italian company is considered to be a quality, high-end suspension manufacturer, but dealers do not expect it to supplant RockShox, Manitou, or Fox, and they predicted its market share would not grow significantly. A Texas dealer said, “Marzocchi always will be the dark horse, but it plays to a different customer. Marzocchi caters to someone familiar with its product and willing to

wait for it and to wait for parts. It's more of an image product. Marzocchi doesn't get a lot of OEM spec, but it is better in the after-market than Manitou or RockShox." A Colorado dealer said, "Marzocchi is not a power house like RockShox and Manitou. I don't like the way their forks adjust, and a fork on an \$800 bike should have an adjustment." A Louisiana dealer said, "None of my companies really stocks Marzocchi. They do a great job, but they are not an up and comer in suspension. Marzocchi is No. 3, and I can see it coming up on the other two, but I haven't seen it yet." A California dealer said, "Marzocchi is the biggest player. It has much higher quality, especially in the free-ride market." A Maryland dealer said, "Marzocchi is No. 2. Its fork is known for durability. It is adjustable, but a little on the heavy side, and it has a squishy feeling." An industry expert said, "Marzocchi is only on the high-end. You won't find it on anything else."

Marzocchi is known for its superb technology, especially its so-called "long travel" or "big-hit" products, according to sources. Raleigh's Casteel said, "Marzocchi's strength is that it's in the Big Hit category, which is definitely growing in popularity with the free-ride groups and the Big Hit bikes. Marzocchi definitely has great technology and is comparable with the others. The tune-abilities on Marzocchi are pretty endless. They have excellent service, and other fork companies don't offer the same types of things. Everyone has similar offerings in almost every category, but they do it a little bit differently technically or with their suspension."

OEMs were mixed on Marzocchi's performance as a supplier. Trek's Riley said, "Marzocchi is good, as the entire top four are pretty good." However, Giant's Lane said of the Italian company, "We've had availability problems. We've had difficulties with them because of manufacturer timeframes. I have a good relationship with them, generally. This is another case where if I had to stop making mountain bike suspensions tomorrow, it would hurt them but not kill them. It is a huge motorcycle and moped manufacturer for European products, so the company isn't as hungry as it could be. There also isn't the same passion for mountain bike products as with other makers. However, Marzocchi's prices are pretty good." Raleigh's Casteel has the same complaint, saying, "Some of Marzocchi's high-end product is manufactured in Italy and Europe, and that can affect things like delivery time. We look at it as a whole. When we can expect delivery affects it a little bit because it affects when we can get parts to our suppliers. It makes us play with a lot of components, where we're buying from Japan, Taiwan, and Europe." Stevens Bikes' Dohrmann said, "Marzocchi is a niche player with a fairly good image."

Several sources mentioned the weight of some of Marzocchi's forks. Raleigh's Casteel said, "Its weakness is that its forks have been known to be a little bit heavy when you get into cross country stuff."

Others

- **CANNONDALE.** Sources had very little to say about this manufacturer. An industry expert commented, "Cannondale makes one shock, the HeadShok, which has two different styles that no one else carries. Cannondale also makes the Leftie, a fork that has only one arm, so it is very different."
- **WHITE INDUSTRIES.** A Maine dealer said White has a good following, but he was the only source to mention this company.
- **KONA.** An industry expert said, "We're seeing second tier brands emerging, so retailers have something different to sell."

Smaller companies are developing niches. Kona has momentum, and it is focused on mountain bikes."

Sources mentioned a few up-and-coming suppliers, such as RST (Taiwan) and SR Suntour. Giant's Lane said, "They make a good product at an affordable price and they meet the standards we need for the products we spec." Trek's Riley said, "There are some Asian vendors on the low-end, such as InSync and SR Suntour; they do comfort, hybrid, and low-end mountain bikes. For the price, they offer a lot of features and benefit. There is no name brand so it's not consumer driven, and they will pick up market share. They will pick up some volume price points as they get known for their durability in the lower-end mountain bikes, where volume is high." Cannondale's Metz said, "Because of the increase in road biking, companies like Compagnolo are really starting to get more of a foothold, and SRAM is doing the same in mountain biking. I think SRAM is going to probably do a little better in 2004 and 2005." Raleigh's Casteel said, "We don't do too much with other suppliers. There are a lot of fork manufacturers out there. Another one at another price point would be Centaur; it has a lower price point. You can find name brand forks at the \$500 bike price point now." Stevens Bikes' Dohrmann said, "SR Suntour makes inexpensive forks for 700C and MTBS and is a very successful partner of OEM brands. RST and Magura Rond are also good suppliers." ♣