



 **VALUE PARTNERS**
PERSPECTIVE

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Riding on open roads

Everything you need to know to win
in the bike industry

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Introduction

Despite recent downturns, the **bike industry** continues to exhibit **strong fundamentals**, attracting investors that are either pushing for an **industry consolidation** or exploiting favorable conditions to enter a **growing market**.

Whether you are looking to **manufacture** racing bikes, **offer components**, or **build** an **e-bike lifestyle brand**, the following chapters will walk you through the **key insights needed** to understand the bike industry and **ride** its **hairpins successfully**.

Riding the bike industry requires more than just a good product idea; it demands **strategic planning**, clear **market positioning**, outstanding **supply chain management**, and **retail masterclass**

Confront the Alpe d'Huez

The **bicycle industry** remains predominately **local** and **fragmented**, with a limited number of international players and a **multitude of smaller brands** engaged in intense competition over product offerings and pricing strategies.

Spanning high-end racing bikes to everyday commuter models, and encompassing everything from components to accessories, this market has undergone **significant transformations in recent years**. These changes have been largely driven by **evolving consumer preferences**, technological **innovations**, and disruptions within global **supply chains**. The result is a new landscape where the *flamme rouge* is not on sight, and

competitors can make their own fortune as they pedal up the ascent.

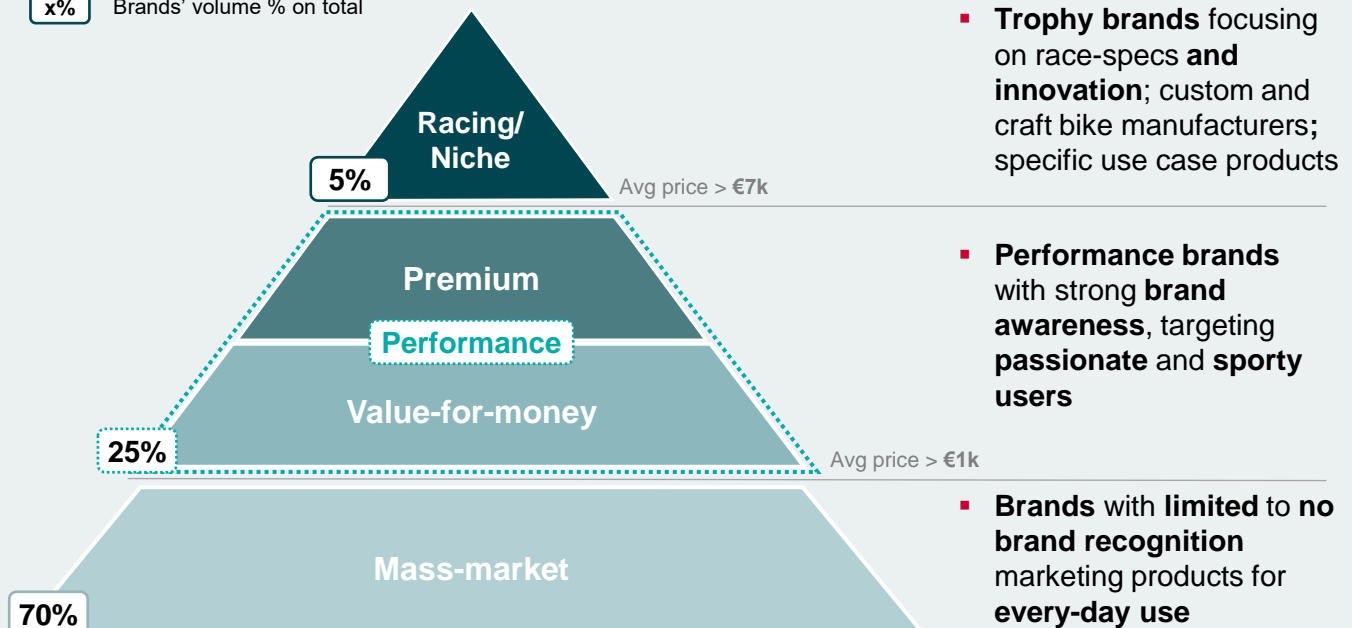
For any new player looking to break into this ecosystem, a **deep understanding** of its complexities is essential for **long-term success**. Unlike other industries, the bike sector blends manufacturing, retail, and branding in unique ways, creating a **dynamic competitive arena** largely influenced by **racing and competition**.

*“As for all great ascents, **prepare yourself for the suffering, keep the head down until the next hairpin, and enjoy the ride; it will be one of the best of your life.**”*

EXHIBIT 1

Bike competitive arena

x% Brands' volume % on total



Understand market geography

The global bicycle market is characterized by **significant regional differences** both in **production** and **consumption**.

The **Asian market** stands out as the leading market for both volume and value, driven by mass manufacturing and a vast user base. China and India are the largest markets in the region, capturing over 40% of global volumes, primarily due to low-end products. Despite this, China is notable for its process of premiumization and a high incidence of e-bike sales.

The **European market** represents the most prestigious global market, home to historic heritage brands deeply embedded in cycling culture. The region accounts for a third of

global sales and it is characterized by the highest average price (well above €1,000), reflecting internal demands for performance products and e-bikes. The user base varies from country to country: from road-racing enthusiasts in Italy to urban commuters in the Nordics.

North America, while capturing less than 10% of market value, is home to the world largest international brands. The market is characterized by low e-bike adoption rates, just shy of 20% of sales, and a polarized structure with low average prices. This is the result of the coexistence of high-end products sold through bike dealers and mass-market products widely distributed in department stores..

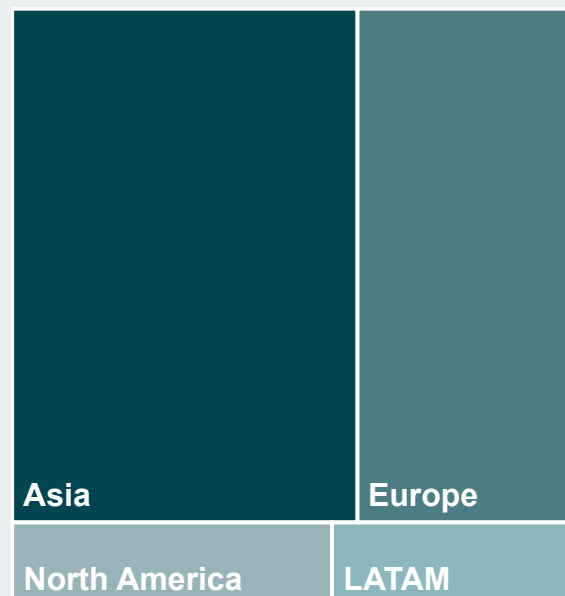
EXHIBIT 2

Global bike market size per region

of bikes sold, 2023



Value of bikes sold, 2023



Sources: Industry reports, World Bicycle Industry Association, Value Partners analysis

Master a global value chain

To **succeed in the bike industry**, it is essential to master the **core elements** and **engagement rules of its value chain**. [Exhibit 2]

First, while the **manufacturing process** is not complex, bike producers have **different approaches**, based on their region:

- **EU producers** tend to design and assembly in-house
- **US producers** engineer their products in-house and outsource the assembly
- **Taiwanese players** are fully integrated, also producing frames/components for third parties, even direct competitors

Second, while re-shoring efforts are currently underway, especially in Europe, the industry has a **global supply chain** with hundreds of components and thousands of actors. In particular, some suppliers, such as Shimano and SRAM, have huge market power, being able not only to **transmit value to products solely by equipping them**, but also to sell directly to consumers. Thus,

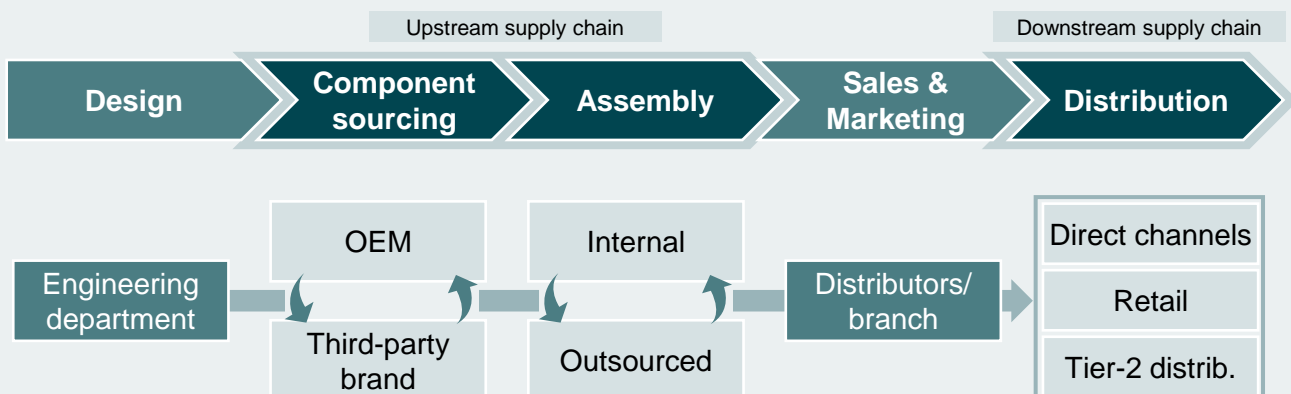
component sourcing is inherently **global**, requiring **precise logistics management** to mitigate risks. Delays or disruptions can ripple across the supply chain, jeopardizing product availability and customer satisfaction while amplifying upstream inefficiencies, producing a **bullwhip effect**.

Third, while **online sales** represent a significant **growth opportunity**, it is essential to note that approximately 80% of sales still originates from Independent Bike Dealers (IBDs). **Retail** is therefore **crucial**, and it is paramount to have the right specialized importers, distributors, and salespeople to master it.

*“Building a **network of reliable partners**, understanding **distribution channels**, and staying updated on **new trends** is the foundation of a **successful competitive advantage**.”*

EXHIBIT 3

Bicycle industry supply chain



Step out to stand apart

In a crowded arena, **communicating clear brand values** become critical to differentiate and build a **strong brand image**. Today, while mass-market brands compete mainly on retail space and pricing, **performance brands differentiate** based on four main strategies: **value for money, niche products, lifestyle positioning, channel and retail strategy**.

In the **value-for-money** model, the focus is on delivering **reliable, affordable products** to the **customer base**. Even if this strategy often comes at the expense of gross margins, giving high value specifications at discount, is a key option for all brands who wish to **build a good brand image**, especially when entering the market.

Alternatively, developing a product which caters to **specific segments** such as urban commuting, cargo, or downhill is also an option to develop a strong **brand recognition** and awareness. Targeting a **niche is an easier way to** build “top-of-mind” brands, and then exploit the achieved brand awareness to extend into other mainstream segments.

Another option, which has been fueled by the rise of e-bikes, is centering brands’ values around **lifestyle**. Cycling is no longer solely associated with racing; it has become increasingly intertwined with fashion and wellness. In a highly technical industry saturated with products, crafting **unique branding and storytelling** can make the

difference in making a brand stand out. By embracing these value, brands can attract occasional riders—who traditionally gravitated toward mass-market products—and encourage them to purchase high-end bikes, priced at a hefty premium, that they would have never considered before.

Lastly, **channel and retail strategy** are now a differentiating factor too: from directly operated e-commerce platforms to bypass traditional retail intermediaries, to new retail formats and experiences that allow to have a **direct control over customer experience**. [CASE STUDY 1-2] Gaining control over brand interactions and managing customer relationships is now essential for building a loyal user base.

Differentiation strategies



CASE STUDY 1

Mastering the Direct-to-Consumer distribution model

CANYON



Purchase experience



- Online help chatbot & comparing tool
- Easy fitting tool
- Reviews, components description & pictures



Efficient logistics



- Clear delivery times
- Free returns
- "Ready for shipping" outlet



Unboxing and after-sales



- Service centers
- Unboxing video guides and tools

Canyon focuses on delivering **"Ready-to-Ride" products**, with **standardized specs and finishes** distributed through an online Direct-to-Consumer model

Source: Canyon official website

CASE STUDY 2

Re-shaping customer experiences through show-room retail model

VELODEVILLE



Showroom visit



The client can visit a **Velo De Ville partner store** and **test bikes with standard configurations**



Bike configuration



Using an **interactive totem in-store**, the customer can **configure its ideal bicycle**, with the assistance of an **expert bike sale representative**



Bicycle pickup



After **2-3 weeks**, the customer can **pick-up the customized bicycle in-store**

Velo De Ville specializes in **"Made-to-Configuration" bikes**, that are assembled and **produced on demand** based on customer preferences

Source: Velo De Ville official website

Keep an eye on e-bikes

The **e-bike** sector is the **fastest-growing market segment in bikes**, and it has driven an unprecedented disruption within the bike industry.

This transformation reminds pivotal moments in the industry's history, such as the mid-1980s, when Taiwan emerged as the global hub for bicycle manufacturing, or the

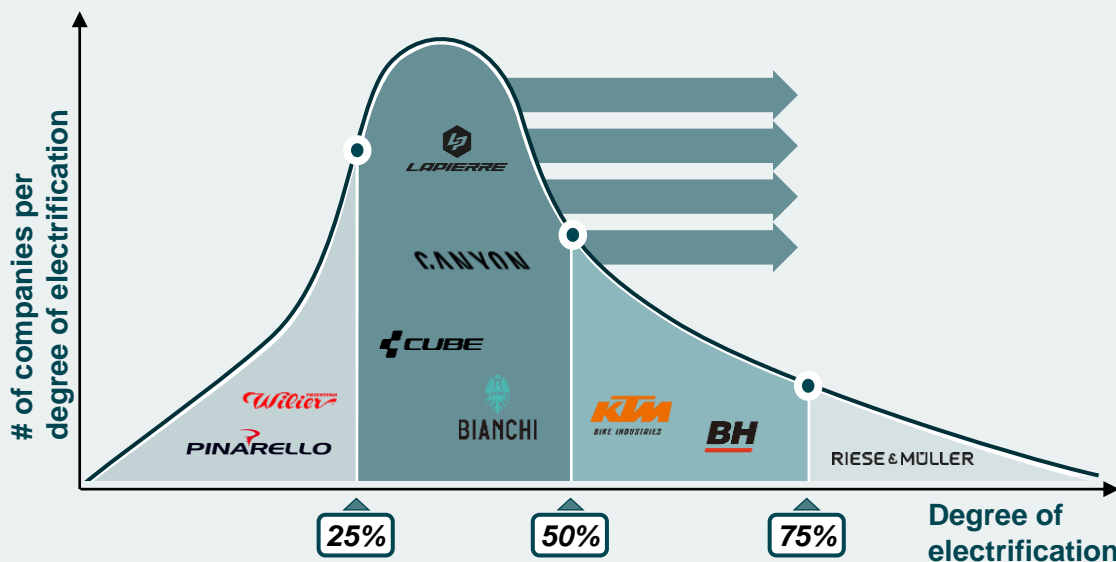
mid-2000s, when carbon fiber became an affordable option in the premium market.

As a result, all brands, even the most traditional ones, are now **offering electric products** and are expanding their offering each year with new releases and novelties.

[EXHIBIT 4]

EXHIBIT 5

Degree of electrification - # companies Matrix, 2024



Sources: Market study conducted on top 20 European bicycle companies

This opportunity, comes with additional challenges such as:

- **New breeds of competitors** (also from emerging countries)
- **New supply chain rules** with Asian suppliers, especially from China, dominating electric component sourcing
- **New complexities** in serving the customers (e.g. battery mgmt.)

While it is undeniable that consumers are embracing e-bikes—with one in three bicycles sold today

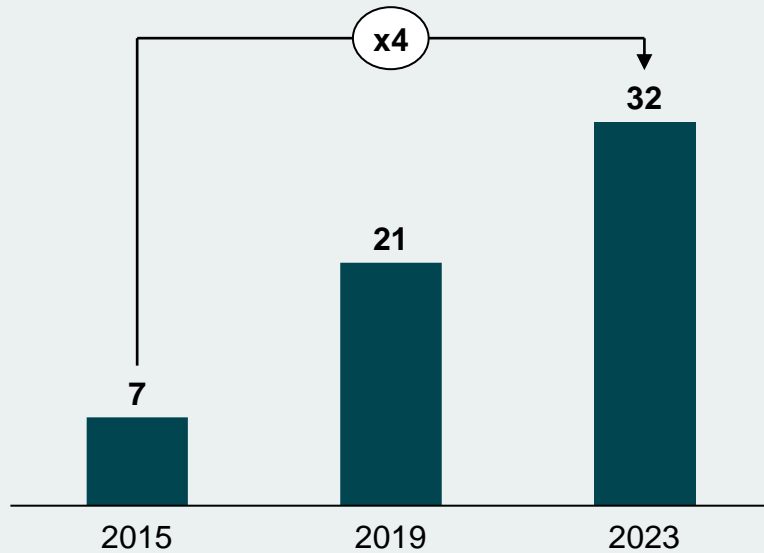
being an e-bike—the added complexity is placing pressure on competitors, who are **facing rising financing and working capital needs**.

The e-bike opportunity is now valued at over \$30B, and experts predict that growth is far from slowing down.

Whether welcomed or not, **e-bikes** have firmly established themselves and are here to stay, becoming an **essential category** in every product portfolio.

EXHIBIT 6

Global e-bike sales, B \$, 2015-2023

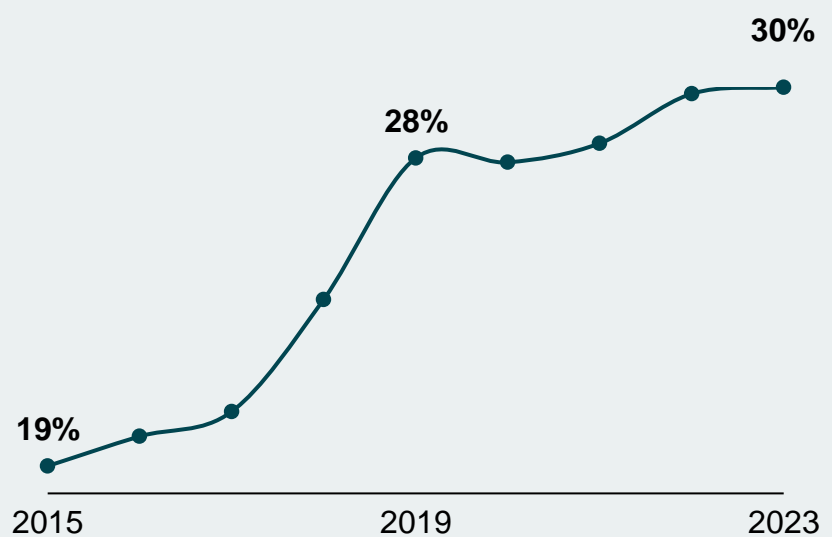


Sources: WBA, Value Partners analysis

*E-bikes are now
worth more than
\$32B
worldwide...*

EXHIBIT 7

Global e-bike market sales, %, 2015-2023



*...and account
for **30% of sales**
by volume*

Sources: WBA, Value Partners analysis

Set realistic goals

Bikes can be exciting, but it is important to **set realistic goals** from the outset. The global bike market, valued at over €60B, is one of the largest within the sporting goods sector. However, it remains the smallest within the personal mobility space. [EXHIBIT 7]

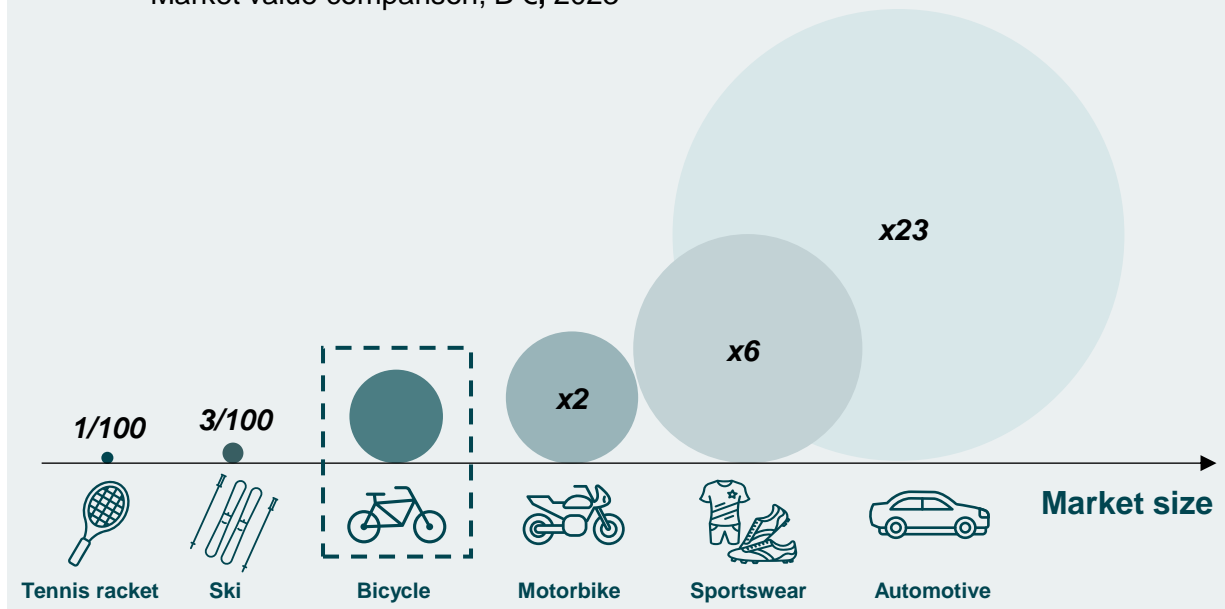
As a result, most players, even category leaders, have less than €200M of revenues. This means

large investments, such as new production facilities, have significant financial relevance and each step is taken extremely carefully, leading to many companies being outdated and unproductive.

To succeed, it is fundamental to set clear and incremental goals - whether it's reaching sales target, market share, or product milestones.

EXHIBIT 8

Market value comparison, B €, 2023



Sources: Industry reports, World Bicycle Industry Association

Despite the size of the market may not allow the same opportunities of other industries, its **fragmentation** offers countless possibilities for **building brand awareness** and **market leadership**.

Reputation in the bike industry is not universal and most brands, with the exception of a few full-liners¹, are known for a **specific market segment** (ex. MTB, Road, ...) or for

their investments in small **market niches** (e.g. Enduro, Downhill, ...).

This fragmentation in market leadership and consumer perception allows newcomers to capitalize on **unmet needs, innovations**, or **emerging consumer trends** to carve out competitive advantages and drive success even from an unfavorable position.

1. Brands offering a complete range of products on all market segments

Be ready to adapt

The bike industry is known for its **roller-coaster dynamics**, with periods of rapid growth, called **bike booms**, followed by slower times.

“Market conditions can be unpredictable, and maintaining momentum in a post-boom world requires adaptability.”

As an example, recently, the end of the **COVID-19** pandemic sparked a **bike boom**, as consumers flocked to cycling for recreation, fitness and transportation. The spike in sales led to increasing optimism from the industry, which in turn led to hyperproduction to meet sensational demand forecasts. Once the dust settled, however, sales quickly returned to standard levels, leaving behind retailers overstocked with **old models** and **unable to guarantee sell-in levels**.

Moreover, companies are continuously engaged in an intense **search for innovation**, leveraging

new materials, designs, and tech integrations, along with restyled vintage solutions (e.g. steel and tube- to-tube carbon frames). From smart bikes to hydro-forming, staying ahead of the curve requires investments in R&D, to capitalize market momentum and stand out as valuable brands.

Yet, while these short-term fluctuations create challenges, the market has demonstrated **resilient long-term growth**, with volumes nearly doubling over the past two decades.

Emerging **new segments**, such as cargo and gravel bikes, represent growth opportunity areas as well. These segments, while having limited sizes, offer potential for product extensions, but they also demand constant innovation to stay relevant.

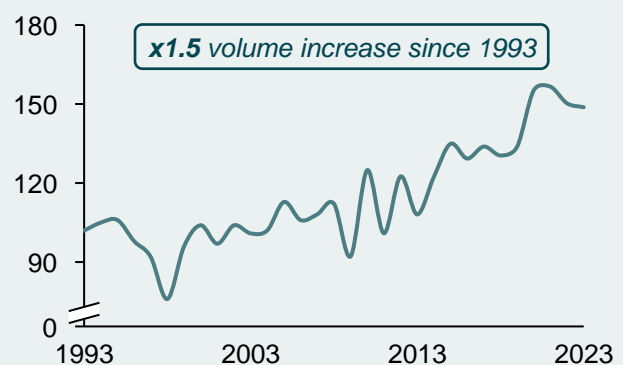
By **proactively adapting** to these changes and confidently pivoting when needed, bike brands can **unlock long-term success** and gain competitive advantage over competition.

EXHIBIT 9

YoY sales variations, 1993 - 2023



Yearly bikes sold, 1993 - 2023



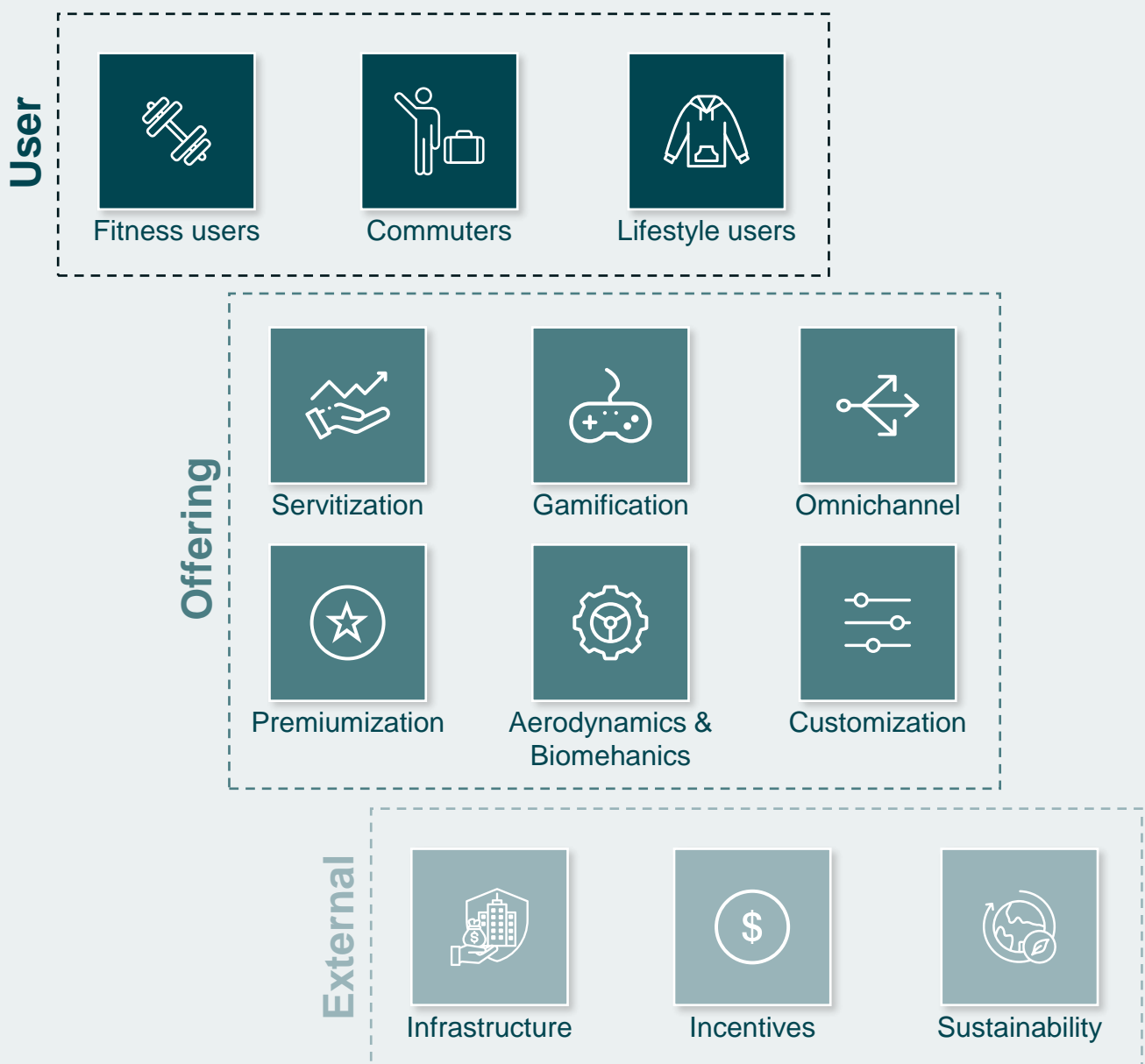
Sources: Specialized press, expert interviews, Value Partners analysis

Ride emerging trends

As **consumer behaviors evolve**, the bike industry has exciting opportunities to embrace, whether it's e-commerce, subscription services, or hybrid experiences.

Capitalizing on changes and innovation is crucial both for newcomers trying to establish a new brand and for legacy players willing to maintain their leadership

EXHIBIT 10
New trends



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