

But 2010 presales hampered by high inventory levels

Norway Bike Market Beats Crisis

OSLO, Norway – Norwegians are sports crazy. The world's biggest mountain bike race, the Birkebeinerrittet, with more than 20,000 participants, is held here every year in October. This year, the race sold out in 66 seconds and left 8,000 on the waiting list! With such interest, strong bike sales seem guaranteed. And that's just what happened this year. The financial crisis didn't affect the Norwegian bike market very much at all. However, not all is rosy in this Northern European country.

By Stian Steen-Olsen

Per capita, Norwegians are world leaders when it comes to spending on sporting goods. Even the economic uncertainty that spread all over the world during the 4th quarter of 2008 didn't dissuade Norwegians from buying skis, winter sports apparel and other sporting goods such as bicycles. Sales increased by 10.4% compared to the same period in 2007. For the whole of 2008 sales of sporting goods, including bicycles and bike products, rose 7% compared to 2007. This trend continued in 2009. Norwegians spent 10.2% more on sporting goods during the first nine months of 2009 than during the same period in 2008. Bike sales profited from that continued spending.

2009 bike sales

Norwegian bicycle sales are dominated by nine major sport chains. They account for almost 90% of the country's turnover in all sporting goods, including bikes and P&A. The biggest one is the Gresvig group, which includes the G-Sport, Inter-sport, and Sporthuset retail chains. This group leads the market in Norway

accounting for more than 40% of turnover in the sports industry. By the end of August Gresvig sold 15% more bikes this year compared to the first eight months of 2008. The company expects 2009 to end with a total sale of 140,000 bicycles. With that, the Gresvig Group, with a total of 343 stores in Norway, holds a 35% market share in bike sales (the annual number of bikes sold in the country is estimated at 400,000). Also, the biggest bike importers of the country (among them Gresvig Group; importer of Diamant and Nakamura bicycles) have had a good year. Stians Sport (Merida, Specialized) Ramo (Scott) and DBS (Cycleurope; with DBS and Bianchi) are the largest importers/wholesalers next to Gresvig. DBS reported a drop in bike sales. The same goes for Stians Sport AS, but that drop was mainly with lower end bicycles. Stians Sport was able to keep its turnover and financial results at the same level as last year, with about \$24 million (US) in revenues and sales of close to 50,000 bicycles in 2009. So, the global financial turmoil didn't hit the Norwegian bike market in terms of

unit sales. However, the fact that bicycle importers were faced by the challenge of extreme changes in the exchange rates this year hit home hard. The exchange rate for US dollars versus the Norwegian krone has risen more than thirty percent. According to figures from the national association for the sports industry 'Sportsbransjen', bikes import during the first four months of 2009 increased in dollar value by 40%. Of course the import P&A from Asia also faced the huge increase in exchange rate. It forced bike importers to raise their prices by 10-25%. But it still left them with losses. Also, it caused increased competition, pressure on margins, delays in payments, as well as a stronger focus on lower prices by consumers. So, despite the growth in unit sales, market conditions deteriorated in 2009. All this contributed to 21 sporting goods companies (including retailers) going belly up during the first nine months of 2009 (compared to 11 in the same period of 2008). Not nearly as many however as was feared due to the financial crisis.

Categories

The mountain bike is by far the most popular bicycle type in Norway. They account for more than 50% of all bicycles sold in Norway. This year expensive MTBs, from NOK 10,000 (€ 1090) and up, saw a big sales increase. In contrast, lower end MTBs were not selling as fast as in previous years.

Hybrid or Trekking bikes are on the rise in Norway. Their market share in 2009 sales is estimated at about 20%. Classic City Bikes with 3 – 8 speed hub gears account for about 5% of all sales. Road racers are becoming somewhat more popular. Market share is estimated at about 5% while



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Photo Merida

Top 10 Bike Distributors & Brands in Norway

Name Company	Bike Brands	Turnover 2008 (x NOK)
1. Gresvig Group AS	Diamant, Nakamura	n.a.
2. Stians Sport AS	Merida, Specialized	145,614,000
3. Ramo AS	Scott	145,487,000
4. Cycleurope Norway	DBS, Bianchi	96,377,000
5. Foss Sykler AS	Trek, Klein, Fisher	60,010,000
6. Beach Mountain AS	GT, Schwinn, Mongoose	57,214,000
7. Hard Rocx AS	Hard Rocx	44,316,000
8. Horten Sykkelsport AS	Giant	43,016,000
9. Sportpartner AS	American Eagle	28,033,000
10. Birk Sport AS	Fuji	32,842,000

Turnover per quarter and total 2004 – 2009 Norwegian Sporting Goods Market (x billion NOK)

	2004	2005	2006	2007	2008	2009
1.st quarter	1570,93	1481,7	1739,6	1934	2026,65	2239,775
2.nd quarter	1422,02	1468,2	1606,8	1788,4	1937,013	2164,5
3.rd quarter	1502,42	1589,8	1731,4	2022,2	2158,761	2342,925
4th. quarter	1819,72	1927	2062,04	2323,5	2565,193	
TOTAL	6315	6466,7	7139,84	8068,1	8687,617	
Add for shops outside	820	841	892,48	1008,5	1042,514	
chains/buy. Groups	13 %	13 %	12,50 %	12,50 %	12,50 %	
Total Turnover.	7135	7307,7	8032,32	9076,6	9730,13	

Source: Source: Sportsbransjen AS

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Key Figures Norwegian Bike Market

- Estimated annual sales in units: 400,000.
- Bike distribution dominated by 9 sport chains that accounts for 90% of turnover in all sporting goods including bikes and P&A.
- Bestselling is mountain bikes (50% share) followed by Trekking bikes 20%, City bikes 5%, Roadrace 5%, and kids bikes 20%.

juvenile and kids bikes make up 20% of all sales. Electric bicycles still haven't set foot in the Norwegian market. What is becoming a trend though, is the fact more people own two or three bicycles, for different types of cycling. People that have a mountain bike for cross-country racing often buy a trekking bike to cycle to work or a road bike for workouts in the summer. This trend has its roots in increased interest in cycling and the fact that Norwegians had money to spend.

Forecast

The main question now is whether or not Norwegians will also spend that kind of money on bikes and P&A in 2010. First indications for the coming year are not positive. Presales for 2010 have been tougher for some brands than in a long time, caused by a relatively high inventory level at dealers. Of course, the continued uncertainty on how the economy will develop in 2010 is also causing very cautious ordering.

Next to the general state of the economy the changing landscape in the Norwegian sporting goods sector is also contributing to uncertainty regarding

next year's business. Big players like the Gresvig Group and Sport 1 are putting a lot of effort in building up their own brands. Gresvig is pushing its brands Diamant and Nakamura which account for about a quarter of the market. Sport 1 has changed ownership and has introduced their own brand Exceed, which is now competing sharply with independent brands like Merida and Cycleurope's DBS.

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