



# Innovation in the cycling industry goes well beyond the bikes

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“ How the cycling industry is shaping up for growth by addressing the demand for active lifestyles better than any other sport

There are not a lot of sports where you can buy a product that is better than what the pros use. Amazing as that is, the cycling industry's biggest revolution is not based on exotic materials and high-tech designs, but rather on a smart marketing move: by placing the bicycle in the center of an open-to-all, inclusive experience, the cycling industry is addressing the generalized trend for active lifestyles better than any other sport.

A few decades ago, being active was not particularly challenging, as most professions were physically more strenuous, and amenities were generally less available. Economical and social development has made us more sedentary but also more attentive to our health and wellbeing, spurring a slow but generally steady demand for “active leisure” (Exhibit 1).

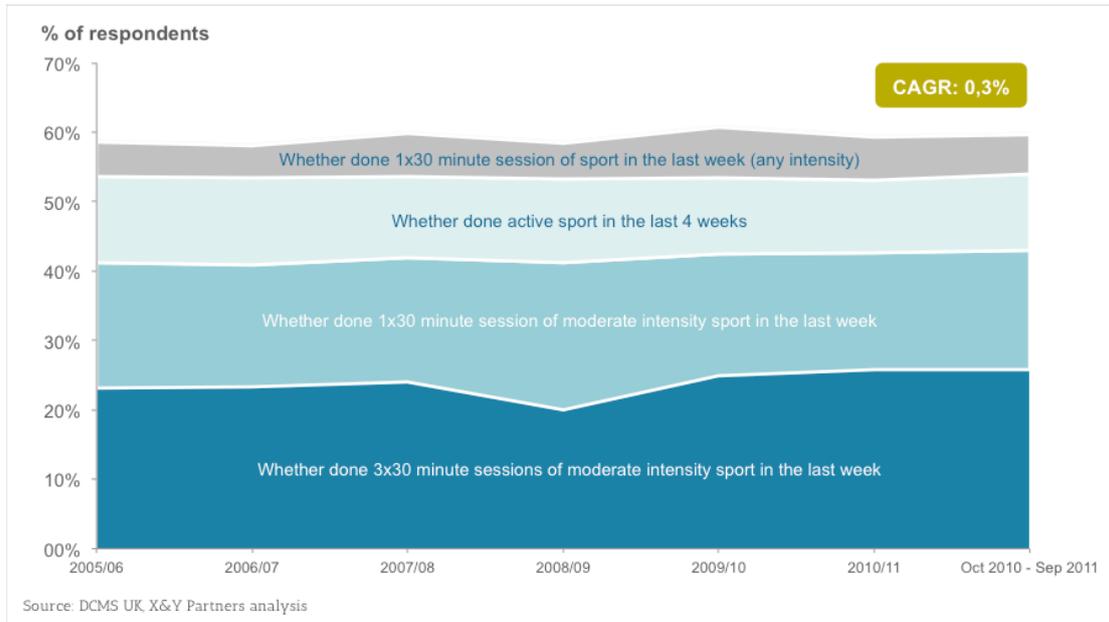


Exhibit 1 - Results of the UK Taking Part survey (2005-2011)

Most sports are not particularly well positioned to address this trend. Gyms require you to drive through traffic to spend one hour in a dark and overcrowded room. Group sports, such as football and soccer, force you to synchronize your schedule with that of your teammates. Sports such as swimming or tennis need special infrastructures. Running does not require a lot of gear, but can be physically demanding for many.

Less than 20 years ago, cycling was also not well positioned to capture this trend. Bicycles were either seen as a thing of the past, used before the car became commonplace, or something reserved for lycra-wearing, pain-seeking eccentrics. That's not the case anymore, and major bike brands have a lot to do with that.

Take Specialized for instance, one of our clients. Specialized was created in California in 1974, and is now one of the world's largest bicycle brands. The company's current product range includes everything you'll need to make use of your bike, from accessories (clothing, glasses, helmet, tools) to services (holidays, bike fitting, nutritional products, training plans). The product range has also been expanded to cater for more users, with targeted products for women and children, which are a growing part of the company's revenues (Exhibit 2). The company has however taken special care not to shy users away by overshooting the open-to-all experience into a bike-centric lifestyle, and has created a separate brand – Globe Bikes – for its urban range.

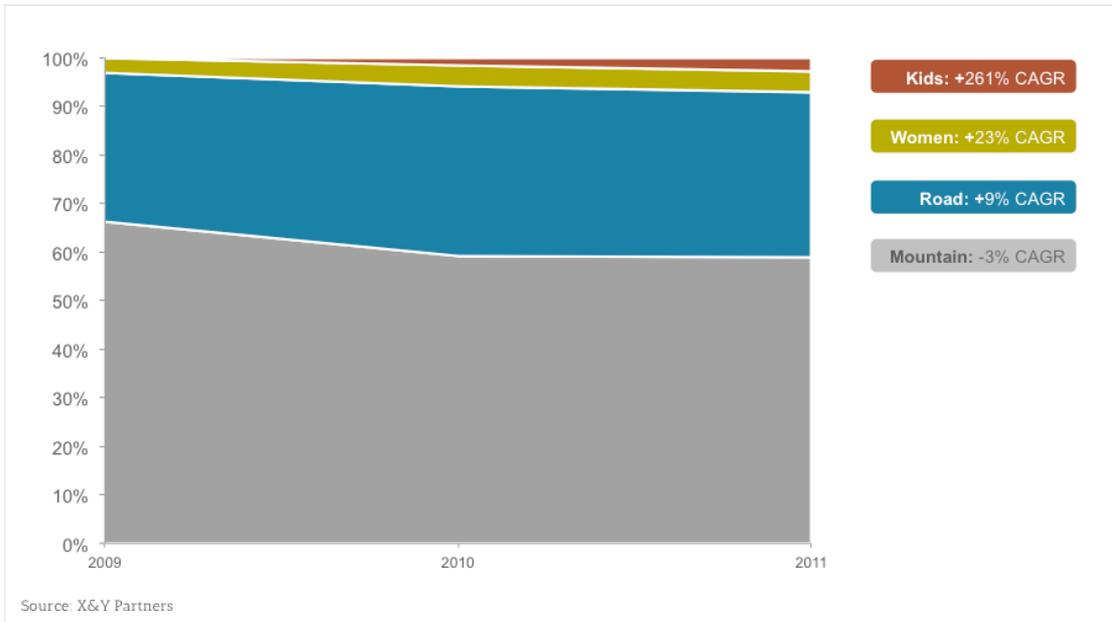


Exhibit 2 - Sales evolution for major bicycle segments at an illustrative Specialized retailer

The impact of the cycling industry’s market shift goes well beyond the bicycle manufacturers. A report from the London School of Economics suggests that the cycling industry generates close to 3.000M£/year for the UK economy (Exhibit 3), with additional savings coming from reduced absenteeism, traffic congestion and pollution levels.

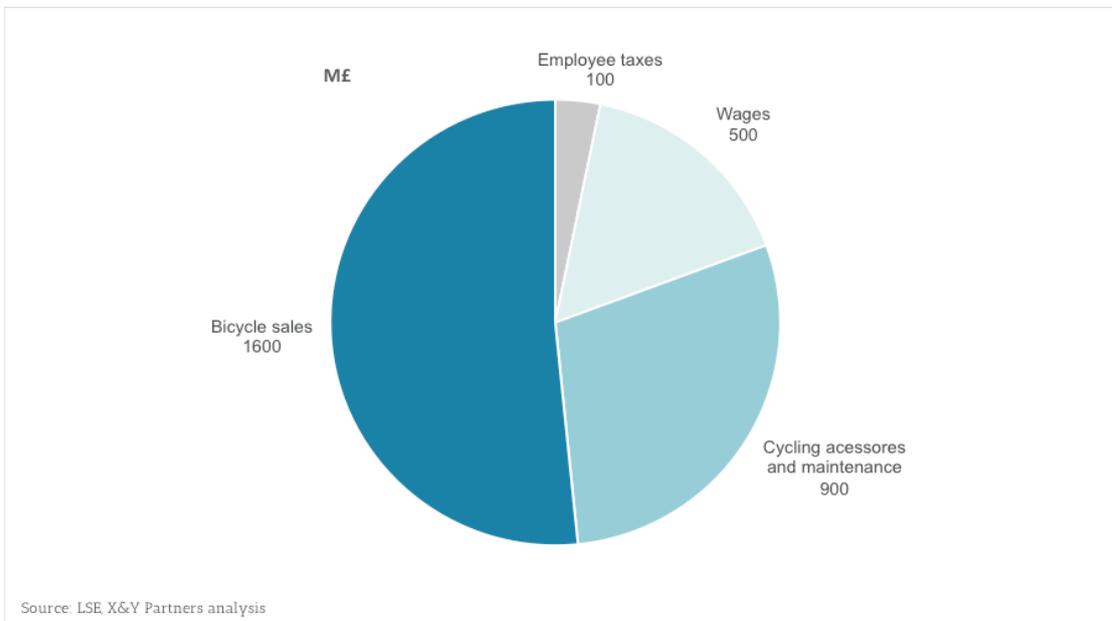
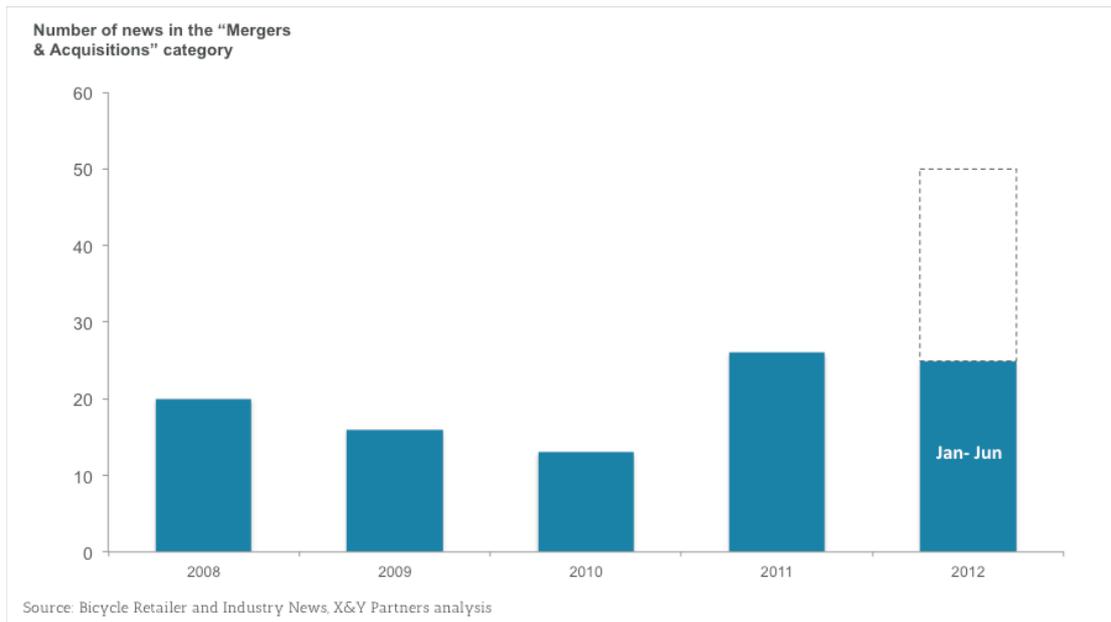


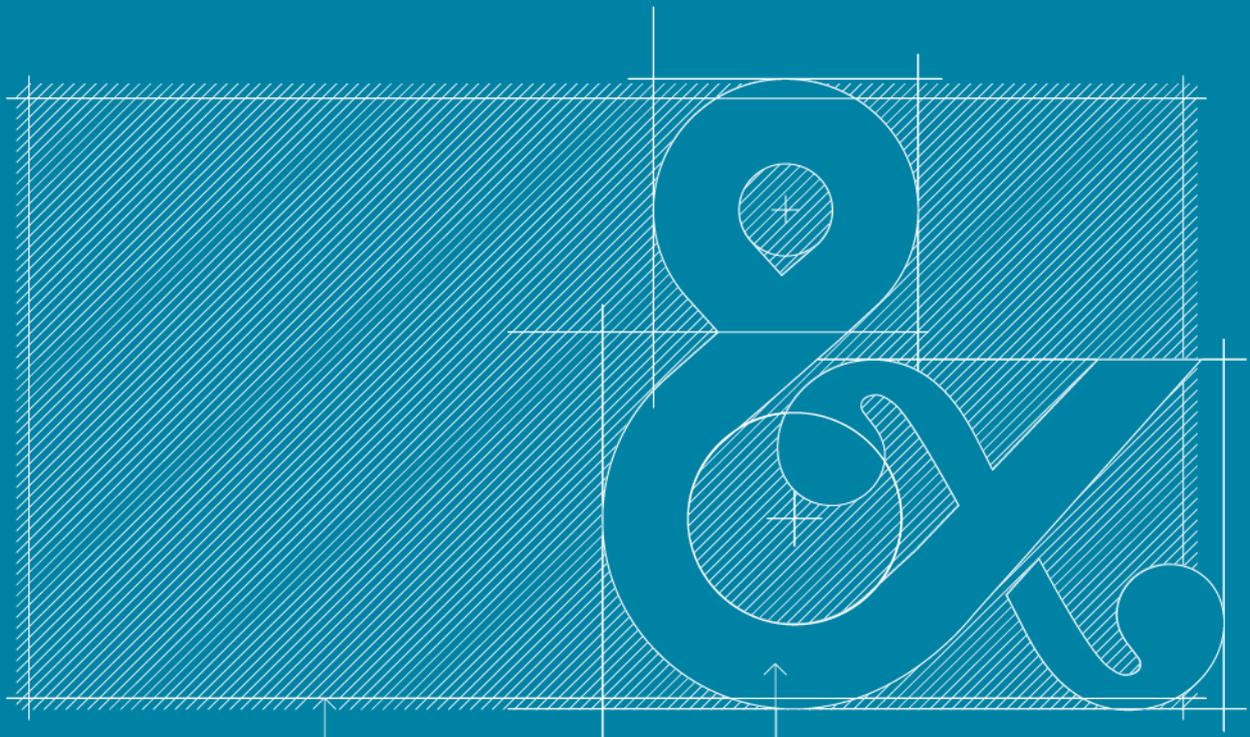
Exhibit 3 - Impact of cycling in the British economy (M£)

These numbers are expected to grow, as more and more people take cycling as a sport and a transportation option, and new developments such as electric bikes become more accessible.

Cycling is, of course, subject to a multitude of cyclic factors, such as fashion, weather or consumer purchasing confidence. However, the underlying trends described here – increasing demand for active leisure and a return of the utilitarian bicycle – seem to be here to stay. And there is certainly an increasing M&A buzz in the cycling industry, so investors also seem convinced there is potential for growth (Exhibit 4).



*Exhibit 4 - Number of news related to mergers & acquisitions in the cycling industry*



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