September 2016

Bicycle Industry Survey Report

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Bicycle Industries Australia

As part of Bicycle Industries Australia's commitment to providing the industry with information and data required to make informed business decisions, the BIA undertook its third annual bicycle retail industry survey.

This data provides a current snapshot for the year along with historical data to create increased awareness of industry trends.

The information in this report is based upon the responses from 78 retail stores across Australia.

The split of these stores is:

Metropolitan	– 57%
Regional	- 43%
Single store ownership	- 81%
Chain store ownership	- 19%
ACT	- 3%
NSW	- 29%
NT	- 1%
QLD	- 9%
SA	- 12%
TAS	- 1%
VIC	- 36%
WA	- 9%

This breakup of responses is indicative of the distribution of stores across Australia.

The report has attempted to factor in the response characteristics in evaluating the results.

NOTE - The import figures relates to the entire bicycle industry, all other information in this report relates to the Independent Bike Dealer network, and does not include information on large 'big box' retailers such as Kmart or Big W.

AUSTRALIAN BICYCLE RETAIL STORE LOCATIONS

There was a significant number of stores which closed in the 2015/16 period and a re-classification of stores has reduced the number of stores now 'counted' by the BIA.

The number of stores continues to have a consistent ratio across Australia with Melbourne and Victoria continuing to be serviced by the greatest number of bicycles stores.

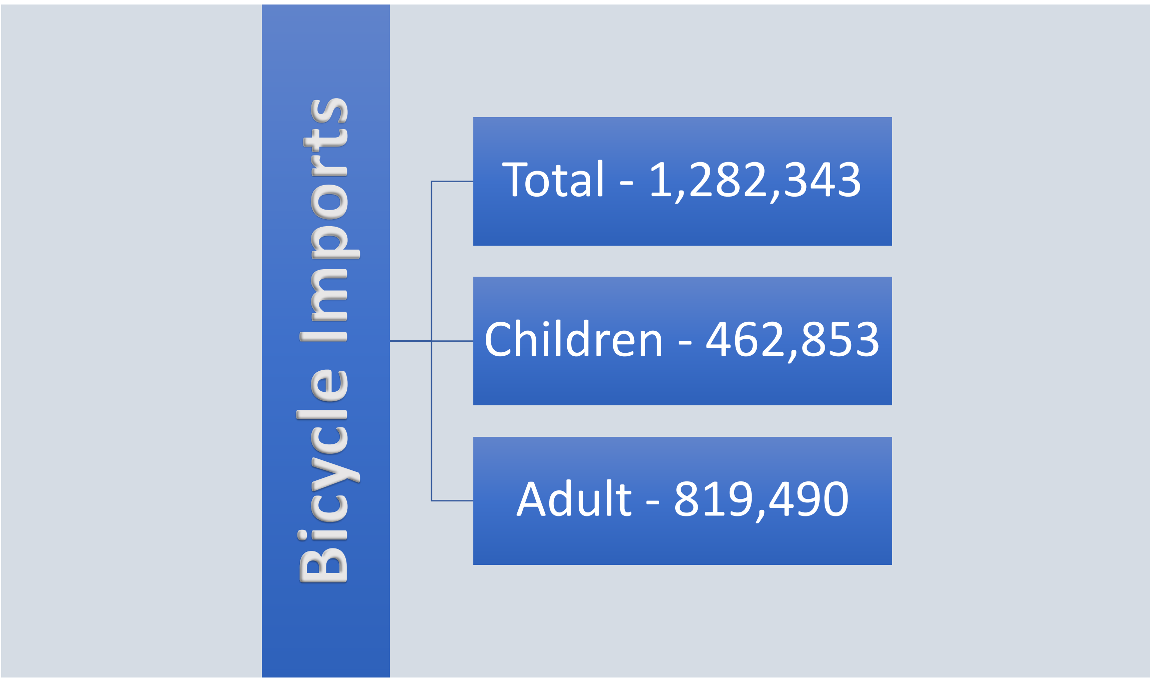
- AUS - 964
  - ACT - 25
  - NSW - 252
  - NT - 8
  - QLD - 181
  - SA - 82
  - TAS - 33
  - VIC - 285
  - WA - 98

- Other bicycle retailers
  - Aldi - 403
  - Anaconda - 44
  - Big W - 186
  - KMart - 207
  - Rebel - 132
  - Target - 183
  - Toys R Us - 41
  - Toyworld - 145

POPULATION PER BICYCLE RETAIL STORE

STATE	*Population per store*	*State cycling investment per capita*	*Density (persons per km2)*	*% of population that road in previous week*
ACT	15,632	$40.71	171.40	21.2%
NSW	30,231	$4.28	9.52	16.7%
NT	30,575	$14.80	0.18	24.1%
QLD	26,405	$7.11	2.76	22.1%
SA	20,714	$2.15	1.73	16.6%
TAS	15,655	$3.64	7.55	17.8%
VIC	20,835	$3.01	26.11	16.6%
WA	26,445	$6.18	1.02	23.0%

BICYCLE IMPORTS



2015/16 was not a strong year for bicycle imports, falling by 10% from the previous year.

Most the recorded reduction in imports was in the adult sized bicycles, with a 14% fall, and children's bicycles only recording a 3% fall.

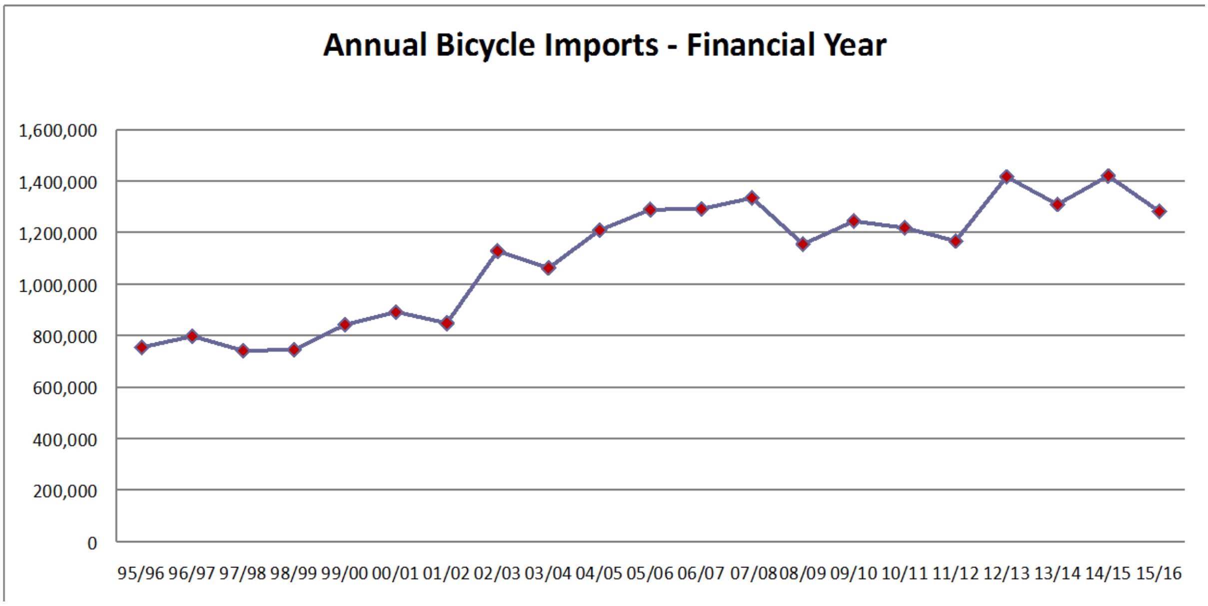
Several experts in the bicycle sector have indicated they believe much of this fall was a correction on over ordering of bicycles by several major brands in previous years.

Without retail or wholesale bicycle sales data, we are unable to make any further statements on the accuracy of this statement.

Adult bicycle imports down 14% on the previous year

TOTAL BICYCLE IMPORTS

Year	Bike Total
95/96	754,000
96/97	797,000
97/98	741,000
98/99	745,000
99/00	842,000
00/01	892,000
01/02	848,000
02/03	1,128,000
03/04	1,062,000
04/05	1,209,000
05/06	1,289,000
06/07	1,291,451
07/08	1,334,442
08/09	1,154,345
09/10	1,244,398
10/11	1,218,086
11/12	1,166,712
12/13	1,416,413
13/14	1,309,009
14/15	1,419,825
15/16	1,282,343



RETAIL DATA

STORE FLOOR SPACE

Average store floor space

- 220m2

STORE OPENING HOURS

The most common opening hours are 9am to 5.30pm Monday to Friday.

This is the most common but with opening hours varying widely from 7.30am to 10am and closing time varying between 4pm and 7pm, there is not an ‘average store’.

Weekend hours also vary widely with approximately 20% of stores not opening.

The majority of stores open at 9am but stores close from 12pm through to 5pm.

Approximately 25% of stores open on a Sunday

STAFF

AVERAGE NUMBER OF STAFF

STAFF TYPE	NUMBER
Full time male	2
Full time female	0.3
Part time male	1
Part time female	0.3
Casual male	1.2
Casual female	.3

AVERAGE NUMBER OF MECHANICS ON STAFF

MECHANIC TYPE	NUMBER
Number of male mechanics	2
Number of female mechanics	0.1

EMPLOYED STAFF FROM OVERSEAS

AVERAGE WAGES

POSITION	
MECHANIC	$43,000
SALES STAFF	$40,000
STORE MANAGER	$51,000

STORE SALES

AVERAGE MARK UP

BICYCLES	
Ave % mark up on bikes before discounts	56%
Ave % market (after all discounts)	47%
Inventory turnover	3

PARTS AND ACCESSORIES	
Ave % mark up on bikes before discounts	81%
Ave % market (after all discounts)	73%
Inventory turnover	5

CLOTHING	
Ave % mark up on bikes before discounts	68%
Ave % market (after all discounts)	48%
Inventory turnover	3

- Australian retail industry average industry turnover 4.86

The industry on average discounts bicycles, parts and accessories 9% from the original mark-up price.

To understand the impact of this on a retailer's ability to remain profitable, the below chart identifies the cost of discounting, the required increase in volume to cover the lost revenue to maintain the same income and profit.

Based on an average mark up of 60%, for a 9% average

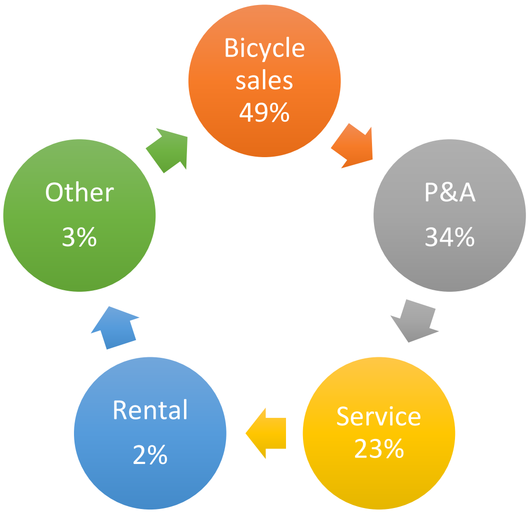
		CURRENT MARGIN %								
DISCOUNT AMOUNT %		20	25	30	35	40	45	50	55	60
	2	11	9	7	6	5	5	4	4	3
	4	25	19	15	13	11	10	9	8	7
	6	43	32	25	21	18	15	14	12	11
	8	67	47	36	30	25	22	19	17	15
	10	100	67	50	40	33	29	25	22	20
	12	150	92	67	52	43	36	32	28	25
	14	233	127	88	67	54	45	39	34	30
	16	400	178	114	84	67	55	47	41	36
	18	900	257	150	106	82	67	56	49	43
	20		400	200	133	100	80	67	57	50
	25			500	250	167	125	100	83	71

ANNUAL STORE TURNOVER

The reported annual store turnover is approximately $100,000 less than the 2014/15 financial year.

This would also reflect the fall in bicycle imports for the 2015/16 financial year.

WHERE DOES STORE TURNOVER COME FROM



Bicycle sales remain the corner stone of the average bicycle store profitability, but bicycle servicing continues to grow in importance from a reported 9% of store turnover in 2013/14 to 21% in 2014/15 and 23% in 2015/15/

This figure also reflects the falling amount of income average stores are gaining from parts and accessories.

OPERATING EXPENSES

OPERATING EXPENSES

The key ongoing expense for all stores across Australia is the purchase of bicycles and other floor stock.

Highlighting the importance of quality staff to the industry, wages and salaries is significantly greater than any other operating expense, make up approximately 25% of annual turnover.

Rent and mortgage makes is the next highest at 5% of annual turnover.

ASSETS AND LIABILITIES

Reflecting an inventory turnover rate of 3, the average store was carrying approximately $280,000 worth of stock or 32% of annual turnover.

As a retail store, the majority of stores had minimal cash assets and a very limited accounts receivable, with a combined total of less than $50,000.

The average store has an accounts payable liability of over $250,000, or almost equivalent to their inventory or stock on hand.

Most stores are also carrying other current liabilities of up to $100,000, which indicates a high degree of financial stress in the industry.

The majority of accounts payable is owed to the Australian bicycle and product importer or distributor, which continues the trend that these businesses are acting as the bankers or financial investors in the Australian bicycle retail sector.

WEBSITE

93% of stores indicated they have a website – this figure is up from 76% two years ago and an acknowledgement of the need to be locatable through the internet.

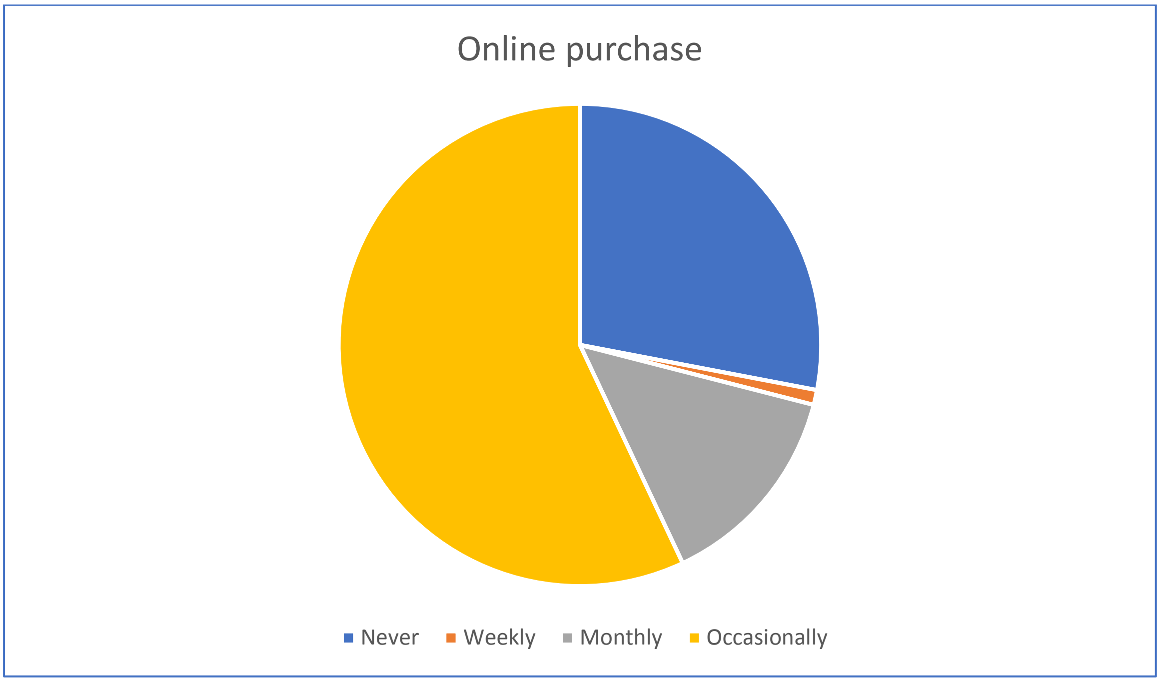
33% of stores indicated they have the capacity to make sales through their website, this is also up dramatically from two years ago when only just over 10% were doing this.

Although 1 in 3 stores allow purchases through the website, it is still only a very small part of the sales mix, with less than 4% of sales made achieved through the website.

SUPPLY OF GOODS FROM ONLINE STORES (Wiggle/Chain Reaction etc)

Bicycle stores indicate that they are willing to purchase from online sites such as Wiggle and Chain Reaction to cover a shortfall of parts and accessories from local suppliers.

For the majority of stores, this is an occasional purchase, but for 15% of retailers it is a regular part of their purchasing patterns.



In response to the growing awareness of consumers to purchase goods from online sites, 85% of stores indicated they are comfortable fitting parts and accessories purchased elsewhere, with approximately 50% charging a premium to fit these parts.

13% of retail stores have indicated they are reluctant to fit these parts and will only rarely do so.

SOCIAL MEDIA

The majority of the industry have at least a basic level of social media.

Facebook is distinctly the most common platform for communicating to a retail stores consumers and ‘friends’

MEDIA PLATFORM	% USAGE
Facebook	86%
Instagram	62%
LinkedIn	4%
Periscope	0
Pinterest	14%
Snapchat	12%
Twitter	56%

LinkedIn is widely acknowledged as a social media platform for professionals and it appears that the lack of engagement in this area may reflect that bicycle retailing is not considered a professional area.

Bicycle Industries Australia is the peak body for the industry and provides a platform for information exchange, lobbying on behalf of the industry and representation on key issues that affect the industry.

Many retail stores are unaware of the services of the industry or have not accessed any services, for those that have, the key areas that stores have accessed the BIA are;

- Australian Standards
- Workshop charge rates
- Consumer protecting laws
- Training information
- Staff awards

OUTLOOK FOR 2015/16

Approximately half of all of stores predict a downturn in the coming 12 months, this figure reflects a sombre outlook for the industry.

THANK YOU

Thank you to the Australian bicycle retailers who chose to contribute to this survey and provide data for the benefit of the entire industry.

If you require further information on this report or any other service offered by the BIA, please contact:

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All data included in this report has been provided by Australian retailers. All attempts to ensure accuracy have been taken, but BIA takes no responsibility for business decisions taken utilising this data.