September 2015

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 106 retail stores across Australia.

The split of these stores is:

Metropolitan	– 65%
Regional	- 35%
Single store ownership	- 87%
Chain store ownership	- 13%
ACT	- 2%
NSW	- 31%
NT	- 1%
QLD	- 12%
SA	- 7%
TAS	- 1%
VIC	- 35%
WA	- 12%

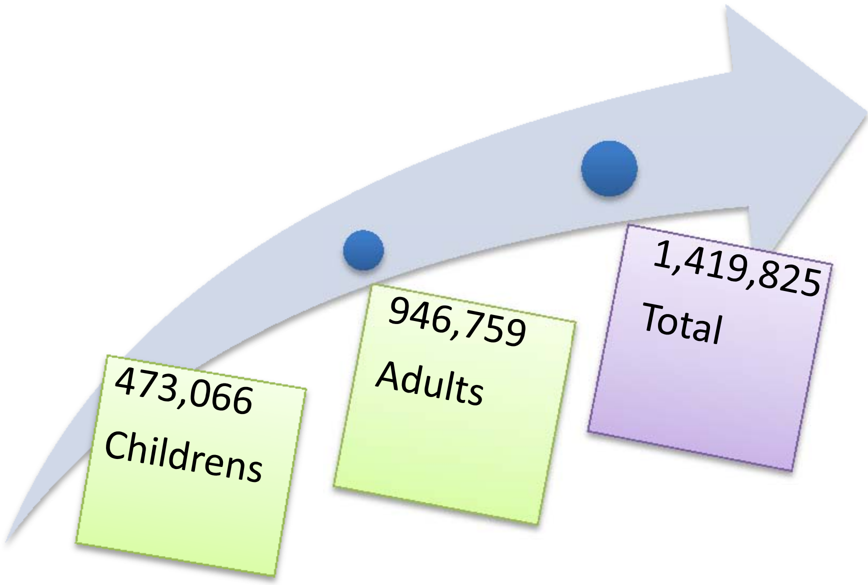
This breakup of responses is indicative of the distribution of stores across Australia.

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 Imports

2014/15 was a record financial year for bicycle imports into Australia.



* All import figures are taken from the Australian Bureau of Statistics.

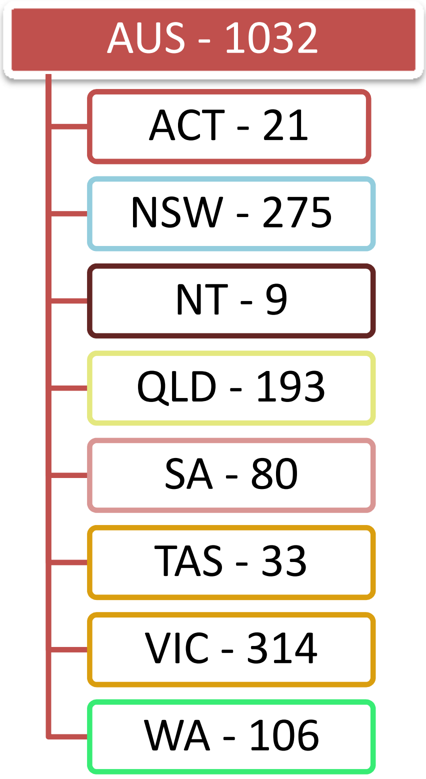
Adult bicycle imports up 7% compared to 2013/14

Children bicycle imports up 11% compared to 2013/14

STORE LOCATIONS

There were a significant number of stores that closed in 2014/15, but with an almost equal number opening, the total number of stores across Australia has remained relatively consistent.

Melbourne and Victoria, continue to be serviced by the most bicycle retailers.



STATE	Population per store	State spending per capita	% of population that road in previous week
ACT	18,357	$7.30	22%
NSW	27,433	$4.11	15%
NT	27,078	$3.30	26%
QLD	24,306	$6.17	18%
SA	21,033	$4.39	18%
TAS	15,606	$2.52	19%
VIC	18,682	$5.21	19%
WA	24,425	$4.56	22%

RETAIL DATA

STORE FLOOR SPACE

Floor space of average store

- 285m2

SHOP OPENING HOURS

Retail stores choose to operate a variety of hours dependent upon their location and cliental

Average opening hours
Monday to Friday
9.00am to 5.30pm

Saturday
9.00am to 4.00pm

Sunday
Less than 20% of stores choose to trade on a Sunday

Public Holidays
10% of stores choose to trade on most public holidays
This number rises to over 50% for Australia day and 60% on Boxing day.

One third of retail bike shops lead bunch rides from their stores starting at around 6am

As these rides are promoted under the name of the retailer, the working day for many starts at this time

Average annual store turn-over p/yr - $967,000

The largest expense that stores face is the purchase of bicycle and parts.

The other key expenses are:
Payroll – 24% of turnover

Lease/rent/mortgage – 8%

STAFF WAGES

The bicycle industry does pay greater then the minimum, but to be able to maintain quality staff, the industry needs to look at current average wages.

POSITION	AVE ANNUAL WAGE
Bicycle mechanic	$45,000
Sales position	$40,000
Store Manager	$55,000

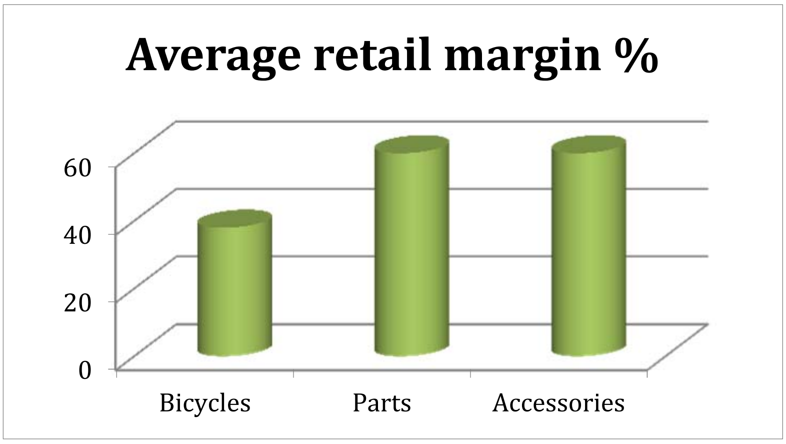
*The Australian minimum wage is $17.29 per hour, or $34,159 per year.

STORE SALES

The average store sells 457 bikes per year or 1.5 bikes per trading day (based on a 6 day week).

The average margin on all bicycles has been reduced in the previous 12 months.

The average margin on bikes has fallen by about 4% and parts and accessories by 6%



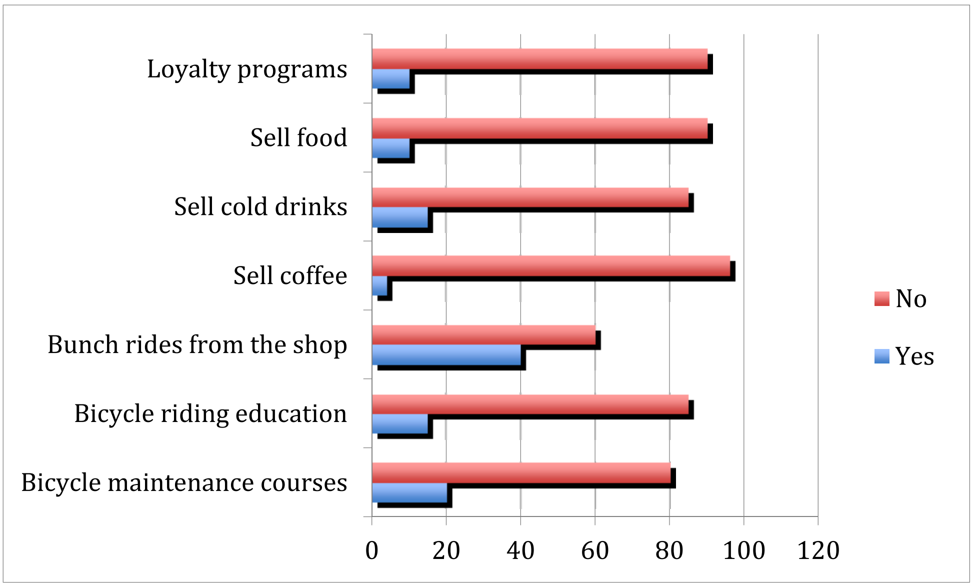
WHERE DOES THE INCOME COME FROM

AREA OF STORE	% OF INCOME
Bicycle Sales	46%
Parts and Accessories	34%
Service and repair	21%

The majority of stores are willing to fit parts purchased from offshore online stores

FURTHER STORE ACTIVITIES

Bunch rides from the store are the most common activity utilised to attract customers to the store on a regular basis.



CONCERN – many retailers were unsure if their insurance covered them for activities they were undertaking – training or bunch rides.

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The average number of financial transactions a bicycle retail store completes each trading day

STAFF EMPLOYMENT

The number of people employed in the Australian bicycle industry remains relatively constant at approximately 10,000 staff with the higher proportion of those employed in the sector in full time positions in retail.

The overall number is constant, but the industry has significant turnover of staff, with each store on average employing a new mechanic and sales rep each year. A large number of these are accounted for by the movement of staff between stores, not those new to the industry.

- 60% of shops indicated a staff shortage during the year.

The Australian bicycle sector is an industry that is considered a man's domain and dominated by male staff.

FULLTIME STAFF	PERCENTAGE
Male	80%
Female	20%

PART TIME STAFF	PERCENTAGE
Male	70%
Female	30%

CASUAL STAFF	PERCENTAGE
Male	74%
Female	26%

There ha been significant growth in the hiring of woman into the industry. The large majority of women working in the industry are still employed in administrative roles.

- Women fill less than 5% of mechanic and sales roles.

BICYCLE MECHANICS

18% of stores employed a mechanic from overseas on a 427 short term visa

On average, these stores employed 2 mechanics throughout the year using this process

There was a reported shortfall of 511 skilled mechanics in Australia in 2014

- Victoria had the largest reported shortfall of staff.

REPORTED STAFF SHORTAGES IN THE BICYCLE RETAIL SECTOR IN 2014

STATE	BICYCLE MECHANICS	SALES STAFF
NSW/ACT	140	89
NT	12	
QLD	95	71
SA	47	
VIC/TAS	157	107
WA	60	39

FEMALE FRIENDLY STORES

- 60% of stores have female specific displays in their stores
- 29% had run a female specific promotion during the previous 12 months.
    - This number has grown from 22% since 2013

The average Australian is a 37 year old female

Females make up more than 50% of the population

Women control 80% of all Australian household budgets*

For the average store in Australia, female product sales account for 2[illegible]% of a[illegible]ales.

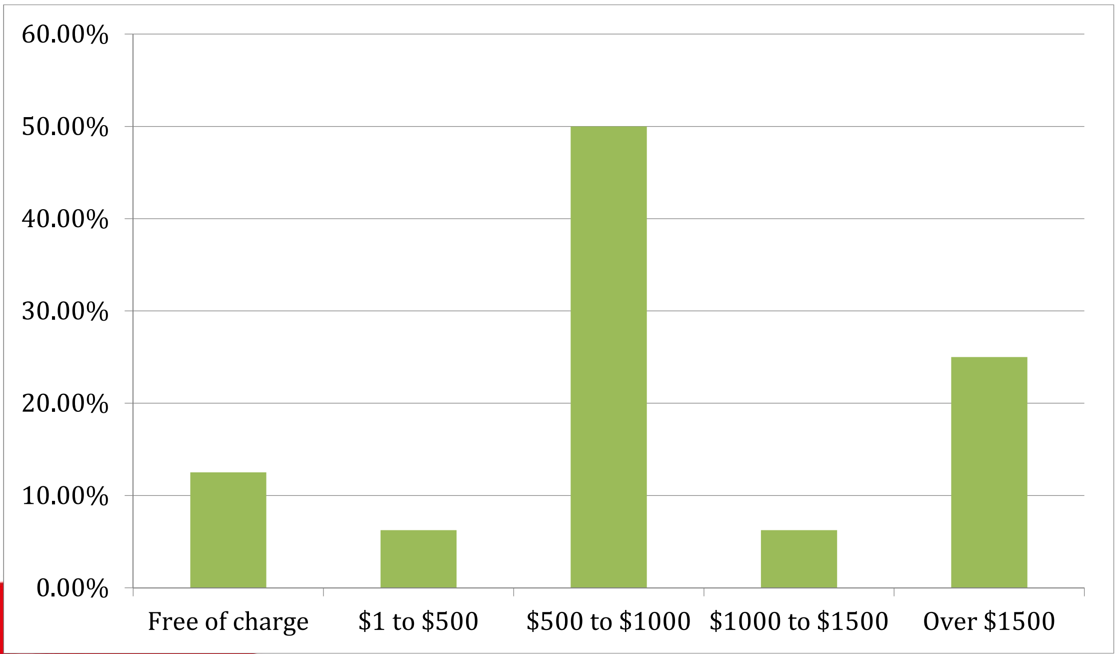
TRAINING

50% of stores completed brand specific training programs on new products and the development of mechanical skills.

In a significant change to 2013, the largest proportion of training was priced between $500 and $1000.

There are two key reasons for this change,

1. Retailers now consider product awareness part of the retail process and not 'training'.
2. Increase in quality and quantity of training provided by the wholesalers which retailers are willing to invest in.



WEBSITE

87% of stores have their own website - up from 76% in 2013

11% of stores have made a sale through their online stores, a very small increase from 2013

- in 2013 - 62% of stores which did not have a website indicated that they would be getting a website in the next 12 months.

ONLINE COMMUNICATION

The majority of stores believe there are benefits to connecting with customers through social media.

Facebook is identified as both the most accessible and easiest form of social media to utilise.

The majority of retailers are slow to embrace emerging social media opportunities such as periscope, but as these new forms of social media evolve, stores will need to make the choice if the investment in time will provide gain to the business.

2013/14 %	2014/15%	TYPE OF ACCOUNT
83%	87%	Facebook
28%	39%	Twitter
35%	52%	Instagram
10%	24%	Linked In
	0%	Periscope
	0%	Snapchat
	4%	Pinterest

HOW SHOPS RATE ISSUES ON IMPORTANCE TO THEIR BUSINESS.

	Not Important		Slightly Important		Important		Very Important		Critical		Weighted Average	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
Product availability	0%	0%	0%	0%	7%	10%	55%	35%	38%	55%	0.86	0.89
Shipping times	0%	0%	0%	10%	28%	32%	59%	39%	14%	19%	0.77	0.74
Wholesaler website accuracy	7%	0%	0%	7%	24%	17%	55%	47%	14%	30%	0.74	0.80
Real time product info	0%	0%	0%	0%	34%	35%	52%	42%	14%	23%	0.76	0.77
Order accuracy	0%	0%	0%	0%	4%	19%	39%	29%	57%	52%	0.91	0.86
Shipping terms	0%	0%	10%	10%	17%	39%	52%	35%	21%	16%	0.77	0.72
Return policy	0%	3%	7%	23%	45%	32%	34%	29%	14%	13%	0.71	0.65
Credit terms	3%	13%	14%	13%	34%	35%	38%	23%	10%	16%	0.68	0.63
Product margins	0%	0%	0%	3%	14%	16%	52%	61%	34%	19%	0.84	0.79
Product knowledge	0%	0%	0%	6%	28%	16%	48%	52%	24%	26%	0.79	0.79
Friendliness/ relationship	0%	0%	3%	0%	18%	26%	48%	45%	31%	29%	0.82	0.81
Dealer training	3%	6%	17%	16%	34%	35%	31%	32%	14%	10%	0.67	0.65
Brand marketing	0%	3%	3%	10%	31%	26%	45%	39%	21%	23%	0.77	0.74
Range of products	3%	0%	10%	16%	31%	26%	38%	48%	17%	10%	0.71	0.70
Brand reputation	0%	0%	3%	6%	24%	16%	48%	58%	24%	19%	0.79	0.78
In store displays	3%	16%	28%	26%	41%	29%	17%	19%	10%	10%	0.61	0.56
Control of distribution	3%	0%	7%	16%	24%	23%	48%	32%	17%	29%	0.74	0.75
Warranty support	0%	0%	0%	3%	7%	13%	52%	32%	41%	52%	0.87	0.86

CRITICAL ISSUES FOR RETAILERS

The most critical issue that retailers identify when working with wholesalers is the availability of product for sale when it is needed.

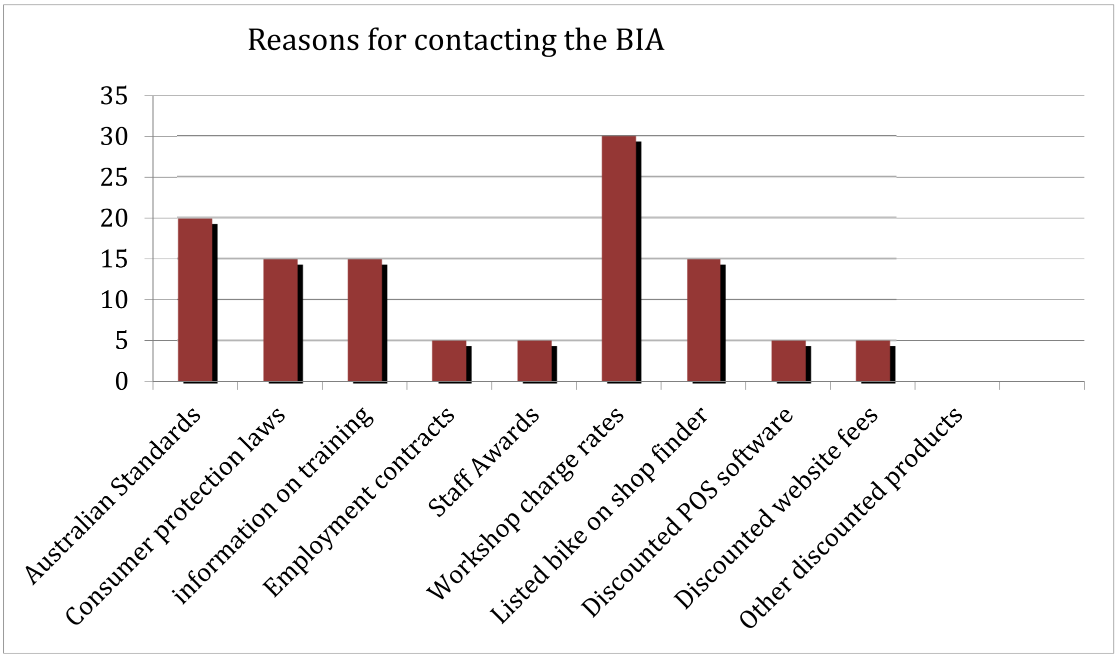
These results have not altered significantly since 2013, with product availability, order accuracy and warranty support remaining the top three areas of concern for their business.

CRITICAL CONCERNS FOR RETAILERS WORKING WITH WHOLESALERS.

The key ongoing concern of retailers is the ‘fear’ of wholesalers introducing or expanding a sales model, direct to consumers through online channels.

This is combined with lack of supply of goods from wholesalers and the growth of offshore sales and the associated impact of the Low Value Import Threshold.

REASONS FOR CONTACTING THE BIA



The BIA is the peak body for the industry and provides leadership, advice, advocacy and lobbying on behalf of the industry.

Most retailers acknowledge the work of the BIA but do not have direct contact.

Those that do utilise it primarily for statutory issues including standards and staff wage issues. A small number of retailers have had contact with the BIA to utilise the discounts provided through preferred partners.

OUTLOOK FOR 2015/16

Only 10% of stores predict a downturn in the coming 12 months, this figure reflects an improved feeling within the industry.

40% of stores are looking at a better year, with 50% expecting a similar outcome to the previous two years.

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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