



THE CHALLENGE OF THE BIKING INDUSTRY:

CONSIDERATIONS AND IMPROVEMENT PATHWAYS

DISCUSSION DOCUMENT



ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™

THE CHALLENGE OF THE BIKING INDUSTRY

CONSIDERATIONS AND IMPROVEMENT PATHWAYS

The biking industry is still grappling with high inventory levels due to over-purchasing during the pandemic's unexpected demand surge. We can now conclude that this boom was not sustainable. The industry need to de-stock, rationalize more and lay the foundation to win the market in 2025.



1 DEMAND

- After the initial market slowdown in the first months of the Covid pandemic in 2020, the **demand for bicycles surged** as people looked for outdoor activities.
- However, high sales levels in 20/22 have proven to be a result of **market acceleration rather than creation of a new market**, effectively shifting future sales in time, with single-digit retention of new cyclists.
- As the travelling and tourism were back, in 23/24 **industry bounced back to 18/19 sales levels** with a single-digit CAGR on top (in units), which led to overstocking. Value growth is delivered by higher ASP (e-bikes).
- Problems were further amplified by **sales agents' incentive structures**, which sometimes rewarded for inventory placed at retail outlets rather than actual sales.
- **Q1'24 was challenging for the industry** throughout the value chain, with leading global component manufacturers and brands reporting up to 20% y-o-y sales decline. Smaller players in the European market facing exits and insolvencies.
- China is currently considered the only market with growth. Having strong distribution capabilities into China is considered a clear benefit.



2 INVENTORY MANAGEMENT

- As **overstocking** remains a major operational issue in 2024 and interest rates are high, brands need a rigorous and effective inventory clean-up plan (starting with accurate inventory audit and where the items are located).
- Overstocking exacerbated by **price drops** on bikes, hurting margins and **brand's perceived value**. Strategic pricing and promotional tactics need refinement.
- A sales push during the summer season of 2024, including marketing and promotions, sales training for retailers, and regular inventory reviews, will be instrumental.
- To **achieve inventory clean-up**, brands need to ensure transparency over (i) their own stock (in own and 3PL w/h), (ii) open committed POs with suppliers and (iii) remaining bikes in the sales channels. The sales plan to be converted into SKU-level inventory consumption plan. **Late spring orders** (May, June) should be adjusted based on early season sales data or additional orders for fast-moving items.
- **Ageing stock** is an area of challenge. Being a couple of seasons old, some components (including degrading batteries) need to be marked down and also re-considered for later potential guarantee claims.

3 CHANGES IN INDUSTRY

- At the start of the pandemic, **manufacturers faced severe delays**, affecting the availability of essential components and inflating costs as brands were trying to match supply with fluctuating demand.
- Supply chain disruptions and bottlenecks have initially shifted **the balance of power** in the industry towards (Asian) suppliers, who required higher prices and orders to be covered by guarantees or letters of credit. This balance has shifted again towards the brands as the suppliers have to cope with lower demand for parts. Some suppliers are struggling as a result.
- In the relationship of **retail with brands**, push model shifted more towards pull model, as retailer are getting more market power and don't take the inventory risk (price and financing).
- Even for the largest brands, **retailers are taking more of the lead** in ordering bikes based on expected or even actual consumer demand, rather than reacting to the brands' channel push.
- Tendency towards **pay-per-use** in major cities, requiring different bike types.



4 OUTLOOK: READINESS FOR 2025

- Brands need to ensure they are operationally and financially **ready for the 2025 season**. Realistic sales forecasts and scenario analysis are essential.
- Businesses should aim to align inventory with **real-time demand signals**, employing enhanced data analysis and forecasting techniques.
- To recover from margin loss due to excessive discounting, it is essential to **improve the product mix** while considering the constrained spending power of consumers. Brands will face further price competition and need to improve efficiency and/or focus on brand value/attractiveness.
- Mid-year industry trade should help to validate the product range and **sales mix** for the next year. Marketing strategy to be adjusted accordingly.
- **Pre-orders** / booking production slots should likely stay conservative.
- Improved **coordination across the supply chain** can help align inventory levels with actual market demand and avoid distress of important suppliers.
- With contracting sales projections, **recalibration of operating models is essential**. This includes rightsizing and optimizing operational overheads such as warehousing costs and SG&A.



CONTACTS



VINCENT VAN LIERE
MANAGING DIRECTOR
AMSTERDAM

vliere@alvarezandmarsal.com



JESSIKA VAN VEEN
MANAGING DIRECTOR
AMSTERDAM

jveen@alvarezandmarsal.com



JOHANN STOHNER
MANAGING DIRECTOR
MUNICH

jstohner@alvarezandmarsal.com



PETER SHIBAEV
DIRECTOR
AMSTERDAM

pshibaev@alvarezandmarsal.com



MENNO BOOIJ
MANAGING DIRECTOR
AMSTERDAM

mbooij@alvarezandmarsal.com



JO HEWITT
MANAGING DIRECTOR
LONDON

jhewitt@alvarezandmarsal.com



Follow A&M on:

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

To learn more, visit: [AlvarezandMarsal.com](https://www.alvarezandmarsal.com)

ALVAREZ & MARSAL
LEADERSHIP. ACTION. RESULTS.™