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In low gear: Aging baby boomers, competing imports and low incomes will keep growth slow

IBISWorld Industry Report 33699a
Motorcycle, Bike & Parts Manufacturing in the US

November 2010

Justin Molavi

About this Industry

Industry Definition

This industry consists of businesses that manufacture motorcycles, mopeds, scooters, bicycles or tricycles. It also includes those businesses that manufacture equipment and parts for these vehicles.

Main Activities

The primary activities of this industry are

Manufacturing bicycles and bicycle parts
Manufacturing motorcycles and parts
Manufacturing scooters
Manufacturing mopeds

The major products and services in this industry are

Bicycles and parts
Motorcycles and parts
Other

Similar Industries

44122a Motorcycle Dealership and Repair in the US
Businesses in this industry sell motorcycles, boats and other forms of motorized transport to consumers.

44122b Bicycle Dealership and Repair in the US
Firms in this industry sell motorcycles, boats and other forms of motorized transport to consumers.

44122c Boat Dealership and Repair in the US
Companies in this industry sell motorcycles, boats and other forms of motorized transport to consumers.

45111 Sporting Goods Stores in the US
Establishments in this industry sell sporting goods, including bicycles and tricycles, to consumers.

Additional Resources

For additional information on this industry

www.bikesbelong.org
Bikes Belong Coalition

www.insurancejournal.com
Insurance Journal

www.mic.org
Motorcycle Industry Council

www.nbda.com
National Bicycle Dealers Association

www.nsga.org
National Sporting Goods Association

www.webbikeworld.com
Web Bike World

Industry at a Glance

Motorcycle, Bike & Parts Manufacturing in 2010

Key Statistics Snapshot

Revenue	Annual Growth 05-10	Annual Growth 10-15
$4.2bn	-8.6%	2.5%
Profit	**Exports**	**Businesses**
$365.8m	$1.7bn	406

Market Share

Harley-Davidson 65.0%

Honda Motor Co. Ltd. 12.9%

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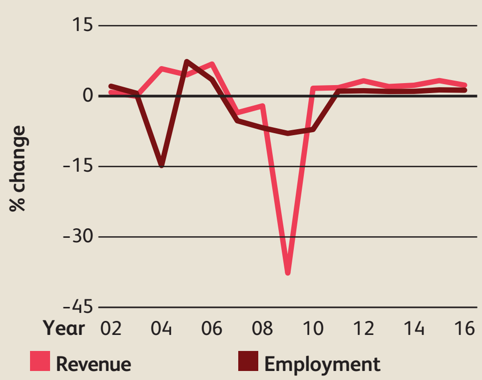
Revenue vs. employment growth



Per capita disposable income

SOURCE: WWW.IBISWORLD.COM

Key External Drivers

- Consumer sentiment index
- Per capita disposable income
- Downstream demand from motorcycle dealership and repair
- Time spent on leisure and sports
- Population

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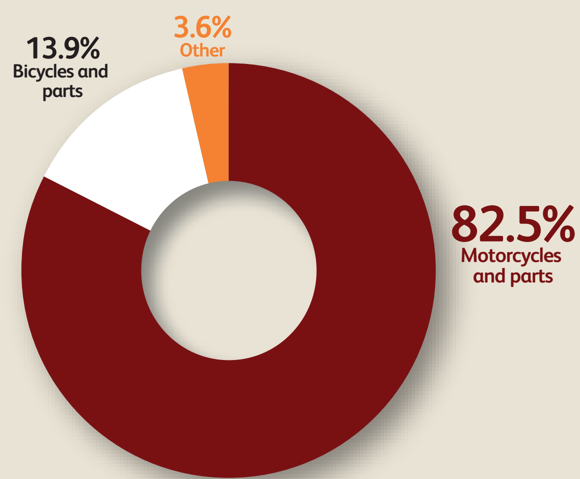
Products and services segmentation (2010)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Very High	Technology Change	Medium
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Medium
Concentration Level	High	Competition Level	Medium

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 32

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Motorcycle, Bike and Parts Manufacturing industry is highly influenced by the prosperity of US consumers. The industry is at its strongest when its customers have higher disposable incomes and confidence about the future. The recession caused steep declines in industry revenue as consumers held back on discretionary purchases. Industry revenue declined by 37.7% in 2009, indicative of falling motorcycle demand in the United States. Although bicycle manufacturing is part this industry, it is generally the smallest portion of industry revenue. As such, trends in motorcycle sales tend to have more of an effect on industry sales. Harley-Davidson, the industry's largest manufacturer, reported a decline of 23.4% in sales during 2009. As a result, industry revenue is forecast to decline 8.6% per year to $4.2 billion over the five years to 2010.

Increasing motorcycle and bike imports have lead many manufacturers to move operations overseas

Competition from abroad has industry operators running for the border. Cheap imports produced with low-cost labor have been challenging the industry, and domestic producers have been responding by closing facilities or relocating facilities abroad to compete. In fact, Honda Motor Company, the industry's second largest manufacturer, ended production in the United States in 2008, ceasing production of about 70,000 units in favor of importing them from Japan. This move directly affected the establishments operating in the United States, reducing the number by 1.6% per year to 406 in the five years to 2010. However, a high level of brand loyalty limits the extent that foreign-based players can take revenue away from domestic producers. Motorcycle consumers tend to identify with a brand and stick with it.

Over the next five years, the industry is anticipated to reorganize its efforts to attract different customer segments and try to penetrate emerging markets. Industry players are increasingly concentrating on customers that have not purchased a motorcycle before. The largest market segment of the past five years were middle-aged males. As these consumers age, the industry will find it harder to sell more motorcycles to them. Firms in this industry are also expected to focus on exporting to high GDP-growth countries. Because consumer disposable income is a strong indicator of industry demand and revenue, firms that concentrate on exporting will do well. Industry revenue is anticipated to grow about 1.7% in 2010 and 2.5% annually in the five years to 2015 to $4.8 billion.

Key External Drivers

Consumer sentiment index

As consumer sentiment improves, people are inclined to invest and spend more on leisure and recreation. Motorcycling and bicycling are largely discretionary leisure activities. This driver is expected to increase over the next year. This is a potential opportunity for the industry.

Per capita disposable income

Disposable income is one of the largest factors concerning the purchase of new motorcycles and bicycles. Growth or contraction in disposable income affects the ability of households to purchase such things. This driver is expected to increase slowly over the next year.

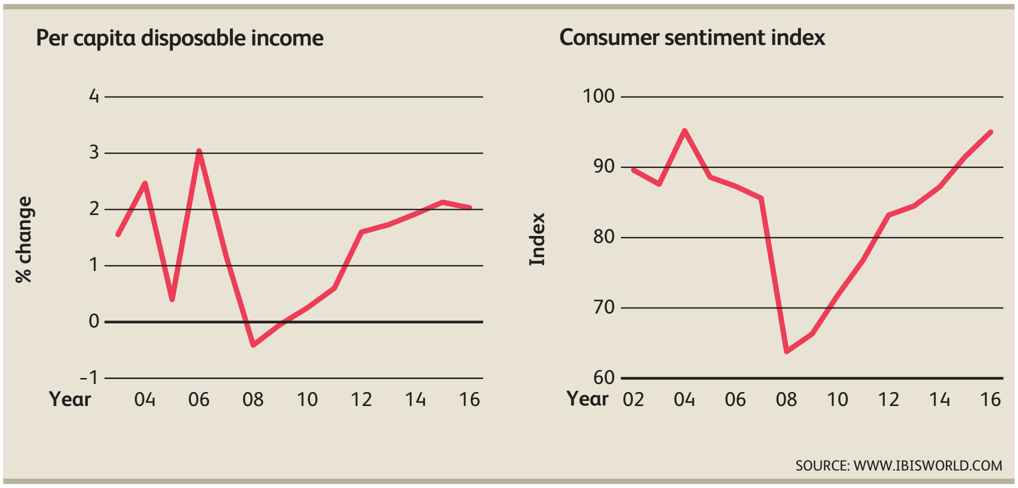
Industry Performance

Key External Drivers continued

Downstream demand from motorcycle dealership and repair
Motorcycle dealerships represent the key downstream market for motorcycle, bike and parts manufacturers. An increase in demand from dealerships translates directly into stronger revenue performance for industry operators. This driver is expected to increase over the next year.

Time spent on leisure and sports
Manufacturers are sensitive to changes in the level of leisure and recreational activity. Growth or contraction in the level of leisure time affects the ability of manufacturers to sell bicycles and motorcycles. This driver is expected to decrease slowly over the next year. This is a potential threat for the industry.

Population
Manufacturers in this industry are sensitive to population growth, in particular the age distribution. Younger people between the ages of 15 and 35 are more inclined to use bicycles, whereas the demographic for motorcycle riders is older, with the average rider's age lying between 40 and 50. The population is expected to increase slowly during the next year.



Current Performance

Motorcycles and bicycles are discretionary products that are widely used to fill leisure and recreation time. The discretionary nature of these products means that the Motorcycle, Bike and Parts Manufacturing industry is highly sensitive to changes in disposable income. The level of income is the leading factor that determines industry performance – the higher consumer incomes, the greater spending on the industry, thus, boosting revenue. Motorcycle and related parts sales are anticipated to constitute 82.5% of all industry revenue in 2010.

Other important factors that drive performance include population growth, leisure time and consumer sentiment. Larger populations increase the potential market available to the industry. More leisure time available to consumers will increase the amount of time people spend on a bicycle or motorcycle. Consumer sentiment reflects the confidence of consumers in the wider economy, with strength in this indicator pointing to

Industry Performance

Current Performance continued

good times ahead and a higher likelihood of spending on discretionary goods, such as motorcycles. The industry is also affected by changes in the price of inputs, such as metals and steel, which tends to dictate industry profitability.

Tough riding economy

The recession took a devastating hit on the US economy. Personal disposable income dropped significantly as consumers lost their jobs and savings. As a result of falling incomes, higher unemployment and general economic woes, industry demand dropped and revenue fell over the five years to 2010 at an annual rate of 8.6% to $4.2 billion. Motorcycles and bicycles are a discretionary purchase and industry revenue generally fluctuates along with personal disposable income. As a result, industry revenue fell 37.7% in 2009 as disposable income dropped.

The fall in gas prices over early 2009 did not help industry performance either, because some consumers switch to motorcycles and bikes to save on gas costs. The drop in gas prices pushed people who would normally invest in

Because motorcycles and bikes are discretionary purchases, demand fell during the recession

other means of transportation, including motorcycles and bicycles, to drive cars. As a result, many consumers held off on motorcycle purchases. The high gas prices before the recession, however, did cause some consumers to switch to motorcycle travel. The switch from vehicle to motorcycles was concentrated among consumers who did not mind the risk of riding a motorcycle. The change from other types of vehicles to motorcycles did not offset the general decline in purchases over the five years, though.

High-end rides

Many motorcycle and bicycle products are targeted at high-income consumers, and the companies that are concentrated in providing these high-end rides fared better than others over the past five years. High-end, carbon-fiber race bicycles; customized, chrome-laden motorcycles; and custom paint jobs are examples of products targeted at high-income consumers. High-end motorcycles typically have higher profit margins, offering positive incentives for firms to stay active in the industry. However, the industry still experienced an exit of industry players over the past five years because these players operated in slim profit margin segments. The number of firms declined an estimated 3.3% per year to 367 in 2010.

Nonetheless, firms that provide these products will continue to have a place in today's market despite current turmoil because wealthy individuals seek different ways of indulging themselves. In fact, these firms helped push revenue up in 2010, with industry revenue anticipated to increase 1.7% over the year. Although several firms that operate in the high-end segment have experienced declines, they are not as pronounced as the industry-wide decline.

Harley-Davidson actively promotes its products to the high-end market and is successful in selling to those individuals with higher disposable incomes. This focus affords the company less revenue volatility because consumer budgeting in this demographic is less prevalent than in

Industry Performance

High-end rides continued

other segments. Harley-Davidson's success in marketing to higher-income individuals is evidenced by the average age of a Harley-Davidson rider, which has risen from 38 to 46 in the past decade. Older Americans typically have higher disposable incomes and are the primary target for the company. However, even Harley-Davidson experienced revenue and profit declines in 2009 and 2010 as slow economic growth prompted consumers to hold onto the savings they had.

Shifting production

Major players in this industry have responded to the downturn in sales by shifting production overseas. The last Honda Goldwing to be manufactured in the United States rolled off the production line in July 2009. Honda made the decision in late 2008 to end production of motorcycles stateside due to slowing demand and high production costs. Honda will continue to compete in the US motorcycle retailing industry, but it will import motorcycles from Asia instead, due to lower production costs. While lower production costs can save industry operators money, it is a hard sell to companies like Harley-Davidson, which markets itself as an American-made product. Production costs in the United States often involve unionized labor.

Even though many players have shifted production abroad, industry profits are a mixed story for the industry. Domestic manufacturers that did not shift significant production abroad experienced declining profit, while international firms

held profits steady. The overall effect was a net decline in profit margins in the industry as firms coped with slow growth in consumer spending. Although higher profit margins are possible by shifting production abroad, tough economic conditions in the US hurt import revenue. Imports have fallen at an average annual rate of 9.2% to $3.88 billion since 2005.

Bicycle use on the rise

The past five years has experienced an increase in the number of bicycles sold to US consumers. In 2008, record-high oil prices pushed this trend further as many commuters sought alternatives to driving their cars to work. Increased environmental awareness among consumers also positively affected bike sales. This awareness has created concern for the amount of carbon emissions emitted by the general population. As such, many consumers have made concerted efforts to reduce emissions by swapping their cars for bikes. However, this trend has been more concentrated in specific regions, such the West and Mid-Atlantic. High levels of public infrastructure aids bicycle use because it easier to transport bicycles across the city. Furthermore, cities with dedicated bike lanes also provide incentive for people to use bicycles because it is more convenient and safer.

Industry Performance

Bicycle use on the rise continued

Because industry revenue derived from bicycle sales is less substantial than motorcycle sales, the benefits of high bicycle demand are minimal for the industry. Furthermore, most US producers have already shifted production to Asia to take advantage of growing markets in that region.

The move offshore has occurred to the point that very little bicycle manufacturing remains in the United States today.

Industry Outlook

The future of the Motorcycle, Bicycle and Parts Manufacturing industry is directly tied to the health of the US economy and the amount of disposable income that is available to consumers. Other factors that affect industry performance include population growth, leisure time and consumer sentiment. Increases in disposable income will lead to growth in leisure time and a positive outlook for consumer sentiment. Population growth, however, is not expected to affect industry performance over the next five years because it will not be large enough to make a material difference.

Industry revenue growth is expected to be stronger during the five years to 2015 as the US economy gains steam and disposable incomes rise. The global economy should grow in line or above the US economy, offering US manufacturers export opportunities. During the period, industry revenue is expected to increase by an average of 2.5% per year to $4.7 billion. However, revenue growth will be slow in 2010 (1.7%) and 2011 (1.8%) due to continued tough economic conditions and depressed demand for discretionary items. In addition, the recent closure of Honda's production facilities in the United States will contribute to the slow growth.

Focus on new segments

The largest portion of motorcycles sold in the United States since 2005 were to middle-aged consumers. This trend is especially evident with Harley-Davidson customers. Even though this trend is expected to continue, it will slow moderately. The baby boomer generation still represents an attractive market segment because of their high levels of disposable income and leisure time, but industry firms are increasingly focusing on previously untapped demographic segments because the large middle-aged population in the United States that was an attractive market segment during the past five years now presents a problem for the industry: as these people age, they are less likely to ride a motorcycle given the physical constraints.

The global downturn also prompted industry operators to look to other segments for revenue growth because many potential customers lost significant portions of their retirement income. This trend is expected to become more prominent during the next five years. As a result, firms in this industry are broadening their customer bases, focusing on females and younger males as potential buyers of their products. In doing so, companies will need to craft marketing messages that cater to these segments. If successful, the industry will experience a boost to revenue.

> Aging baby boomers will slow demand from this previously popular customer segment

Industry Performance

Looking elsewhere

Global GDP growth, especially in emerging economies, is expected to out pace US GDP growth in the five years to 2015. Disposable income in countries that are growing rapidly will increase as their economies grow. As such, exports will be an increasing part of the industry's revenue and will be a focal point for successful operators. Europe and Asia will be the growth destinations for exports from the industry. Quantitative easing policies enacted by the Federal Reserve are anticipated to contribute to a weak dollar on the global markets. Aided by a weakening dollar, firms will increasingly look abroad for revenue opportunities because their products will be cheaper for consumers abroad. Retail presence and marketing to specific demographics will continue to be the methods by which local manufacturers will succeed in these countries. Exports are expected to grow 2.1% in the five years to 2015 to $1.9 billion.

Although a weakening dollar might aid domestic firms looking for growth abroad, imports still are anticipated to be cheaper than US manufactured motorcycles. Amid tough economic conditions, consumers will increasingly look to foreign manufacturers for cheap motorcycles. Even though higher consumer income is anticipated over the period, consumers will still look to save money given the impact of the recession and the subsequent slow economic growth in 2010. Although imports have been declining since 2006, this trend is anticipated to reverse as consumers look for deals on discretionary purchases and international manufacturers improve their product quality and market presence. Imports are expected to grow 1.8% over the five years to 2015 to $4.3 billion.

Higher fuel prices support growth

Although fuel prices have fallen dramatically from recent record highs, oil availability is expected to remain a pressing issue in the next five years. IBISWorld forecasts oil prices will continue to rise through the five years to 2015 as the global economy returns to steady growth. Commodity prices, like oil, are often linked to overall economic conditions. Higher fuel prices are expected to promote greater use of motorcycles, scooters and bicycles because they offer significant fuel savings over automobiles. However, motorcycle riding is not for everybody because there are risks involved in handling a motorcycle. As a result, demand for motorcycles is limited by the ability of a consumer to assume the risks of handling a motorcycle.

Cycling trends

Environmental concerns including global warming will lead to a growing occurrence of cycling and investment in bicycle-related infrastructure. Dedicated bicycle lanes and bicycle traffic management will increase, which will make it easier for people to safely ride in congested areas and increase the ability of cycle commuting. The increased accessibility will boost demand for bicycles, but the increased demand is unlikely to have a substantial impact on industry revenue because bicycles only represent a small portion of overall industry revenue.

Industry Performance

Profitability

Profitability will remain under pressure in 2011 as domestic manufacturers compete with cheaper imports. Domestic manufacturers will be forced to reduce margins if they are going to compete. Nonetheless, there will still be demand for American-made products as many consumers opt to buy locally during the next five years. Profits will continue to experience a strong push from exported goods while the US dollar is weak. Profitability will also benefit from manufacturers concentrating on high-end equipment and parts. US-based bicycle and motorcycle parts manufacturers may benefit from consumers that decide to purchase cheap bikes and modify them with more sophisticated components from the same manufacturers to save on total cost. With these factors in mind, profit margins are anticipated to increase over the next five years as sales rise and firms are not faced with shutting down unprofitable plants.

Domestic manufacturers will be forced to reduce margins to compete with still-high imports

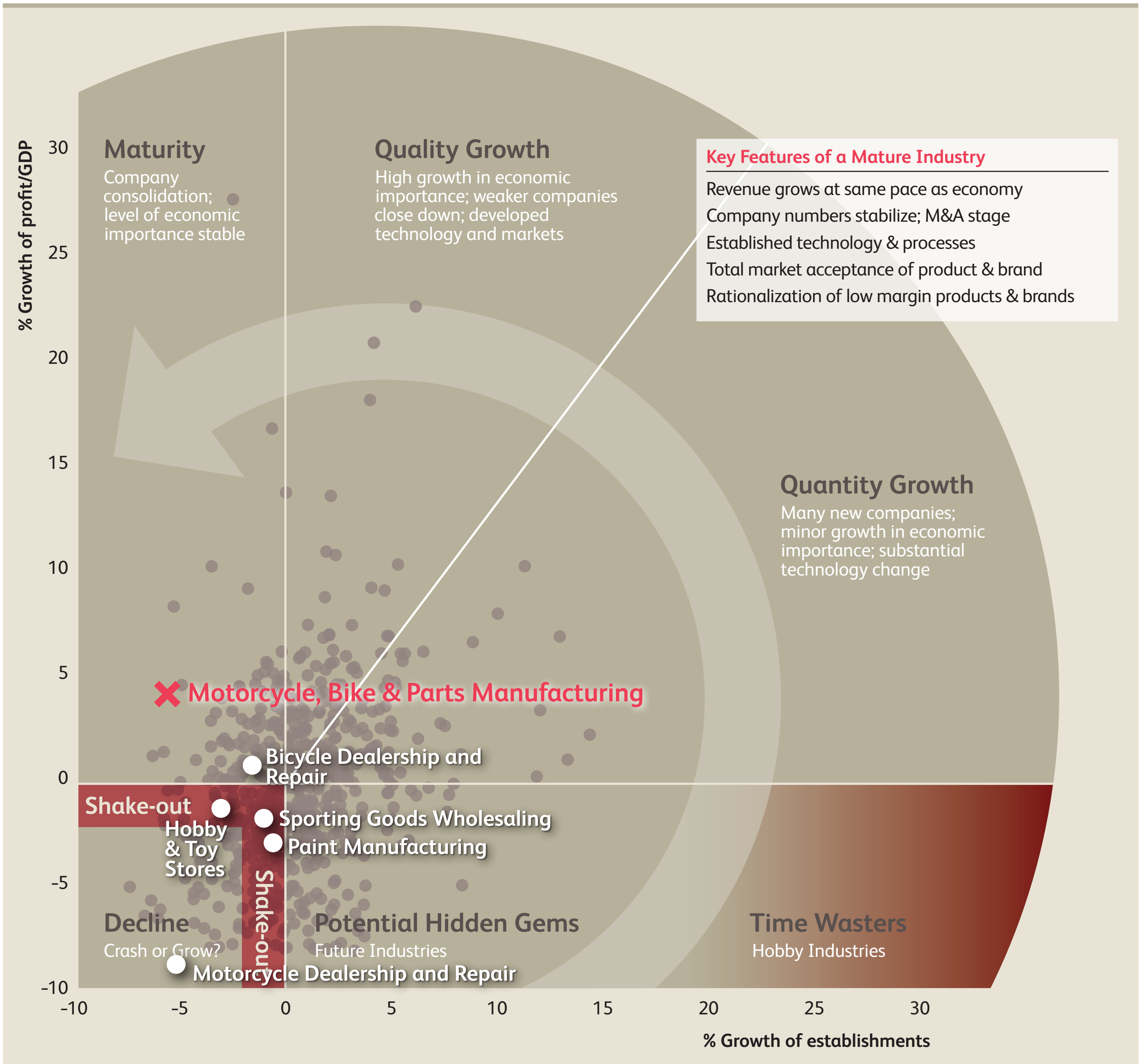
Industry Performance

Life Cycle Stage

Technological change and development has aided product innovation

Cost pressures and competition from overseas manufacturers are limiting the amount of new participation in this industry

The number of establishments in the industry is expected to remain steady



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Mature**

Industry value added is expected to decline over the 10 years to 2015 at a rate of 1.5% compared to the 1.9% increase that is expected during the same period for US GDP growth. While these numbers would be indicative of an industry in decline, the rapid revenue fall during the recession has exacerbated the decline. Since the industry supplies discretionary products, the downturn caused consumers to cut back on these expenses immediately. The revenue declines during the recession were steepest among industries that supplied these types of goods. As consumer income rises over the next five years, the industry is expected to experience revenue increases.

There is a constant stream of product innovation in this industry, especially in the motorcycle segment. High-end performance and touring motorcycles are constantly tuned to gain torque and ride-ability. However, the industry is dependent on sales of discretionary products, which is ultimately dictated by the amount of disposable income available to consumers. Product innovation slows down when consumers spend less.

Establishments are expected to stay relatively steady over the 10 years to 2015. Although at face value this might indicate that the industry is stable, most industry operators experienced steep declines during the recession. The projected value of establishments is to indicate firms responding to increases in demand over the next five years.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

42191	**Sporting Goods Wholesaling in the US** Firms operating in the Sporting and Recreational Goods and Supply Industry purchase bicycles (except motorized).
44122a	**Motorcycle Dealership and Repair in the US** Motorcycles are purchased by Dealerships in the US.
44122b	**Bicycle Dealership and Repair in the US** Motorcycles are purchased by Dealerships in the US.
44122c	**Boat Dealership and Repair in the US** Motorcycles are purchased by Dealerships in the US.
45111	**Sporting Goods Stores in the US** Sporting Goods Stores in the US sell a range of bicycles, motor scooters and tricycles.
45112	**Hobby & Toy Stores in the US** Hobby, Toy and Game Stores in the US sell a range of bicycles and tricycles.
45211	**Department Stores in the US** Department Stores purchase bicycles from manufacturers within this industry.

KEY SELLING INDUSTRIES

32551	**Paint Manufacturing in the US** Paints and coating products are purchased by firms operating in this industry. Paints and coatings are used to finish and coat metal parts.
32621	**Tire Manufacturing in the US** This industry consumes pneumatic tires and inner tubes made by the Tire Manufacturing Industry.
33211	**Metal Stamping & Forging in the US** This industry requires metal forgings and stamping, particularly for the manufacturing of motorcycle frames and forks.
33231	**Structural Metal Product Manufacturing in the US** This industry uses a range of fabricated metal products to manufacture bicycles and motorcycles.
33361a	**Engine, Turbine & Power Transmission Equipment Manufacturing in the US** Internal combustion engines are a major purchase cost for firms operating in this industry.
33361b	**Wind Turbine Manufacturing in the US** Internal combustion engines are a major purchase cost for firms operating in this industry.

Products & Services

The products and services provided in this industry wildly differ across companies. Some companies operate exclusively as bike manufacturers, while others produce motorcycles exclusively. As such, the products sold by this industry depend on the type of firm.

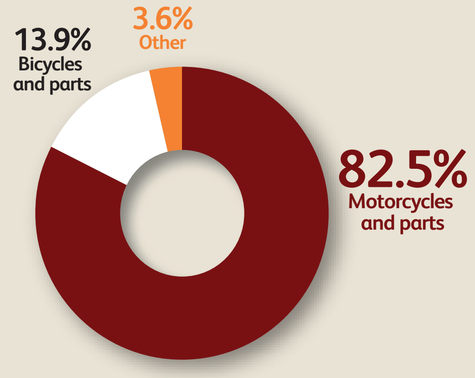
Motorcycles and related parts

Products manufactured in this segment are differentiated by product features and end-use applications. Motorcycles are that are produced by this industry include sport motorcycles, choppers, scooters, mopeds, off road bikes, cruisers and other types. Sports motorcycles are fast, light and smooth bikes designed for maximum performance typically used for racing or cruising. Riders are in a tipped-forward seating position. Choppers are usually custom designed and manufactured with long rake (longer

Products & Markets

Products & Services continued

Products and services segmentation (2010)



Total $4.2bn

SOURCE: WWW.IBISWORLD.COM

front forks) and with extensive paint designs. Scooters are bikes with a step-through frame with smaller wheels than those of traditional motorcycles. Scooters can be ridden without straddling any part of the bike as it is generally slower than other bikes. Mopeds are small, light, inexpensive and efficient for getting around town (motorcycle with pedals). Off-road bikes are manufactured for racing, recreational or long distance touring in gravel/mud/sand conditions. Cruisers vary from small to large motorcycles designed for comfort with a relaxed upright seating position. Notable for their heavy use of chrome and are often highly customized. This segment is estimated to have declined since 2008. The decision of Honda to stop production of motorcycles in the US has resulted in a significant contraction in the revenue from this segment. Furthermore, demand fall sharply in light of poor economic conditions, lower disposable incomes and increasing unemployment.

Bicycle and related parts

The Bicycle and Parts segment comprises 13.9% of industry revenue. A bicycle is a human pedal-powered vehicle with two wheels attached to a frame. Similar to motorcycles, industry players produce many different types of bicycles such as mountain bicycles, hybrid bicycles, road and racing bicycles, and touring bicycles. Bicycle parts consist of the frame, drive-train, steering (handlebars) and seating and brakes. In addition, many countries require bicycles to be in road-worthy condition and to include additional features such as lamps, reflectors and warning bells.

The bicycle segment has fallen in the past five years as US producers transfer their manufacturing facilities overseas in order to save on costs to compete with overseas producers.

Other

This segment includes items such as hard to find parts for motorcycles and bicycles. Specialty add-ons for products sold by the industry also fall into this category. This segment has declined over the past five years as motorcycle and bicycle owners avoided extra costs in response to disposable income drops.

Products & Markets

Demand Determinants

Demand for motorcycles and bicycles are derived from availability of discretionary income and leisure time. Furthermore, demand for these goods depends on price, population and age distribution, and the preference for particular recreational and sporting activities.

An increase in household disposable income and/or borrowing capacity will have a positive effect on demand because it enables households to buy new leisure equipment. Motorcycles, for example, are usually bought as pleasure vehicles by consumers who already have one or more automobiles. Low household interest rates will also encourage householders to spend money on goods and services, rather than save. The recession reduced disposable income pushing demand for motorcycles lower during the past two years.

The price of fuel has an important influence on the demand for bicycles, which can replace cars for commuters that travel relatively short distances. Higher fuel prices provide the incentive for consumers to seek other means of travel. Additionally, motorcycles become an attractive product during high fuel prices with many motorcycles capable of 50 to 70 miles per gallon and scooters 60 to 80 miles per gallon. However, this demand is limited to consumers who are willing to take the physical risk of riding a motorcycle.

Seasonal factors affect consumer spending patterns. Bicycles and motorcycle sales, for example, tend to be higher in the spring, summer and fall of each year.

Weather conditions affect the demand for motorcycles and bicycles as well. Unseasonably cold and wet weather will reduce industry demand as riders are constantly exposed to the elements.

Major Markets

Firms in this industry have different major markets dependent on the products that the manufacture. For example, motorcycle manufacturers sell to wholesalers and retailers or sell their products directly. Bicycle manufacturers sell to a different market segment, mainly mass merchant channels. The major market segments below represent the industry as a whole.

Retailers

Motorcycles and bicycles are sold in large quantities to retailers directly. Like many industries, there has been an increasing trend towards wholesale bypass in recent years. Wholesale bypass occurs when manufacturers sell directly to retailers. This trend has been most notable in the bicycle industry as manufacturers can drive sales more easily by enabling retailers to charge a lower price. This happens because the wholesaler typically increases the cost for the retailer and plays the role of a middle man. Additionally, the motorcycle segment is dominated by the major manufacturers with an established network of dealerships. They often bypass wholesalers and sell directly to their network. Most motorcycle dealerships have franchise relationships with major motorcycle manufactures such as Harley-Davidson, Yamaha, Kawasaki, and Honda.

Wholesalers

The wholesale market in this industry is the second largest market segment for industry players. Where motorcycle and bicycle manufacturers do not have established relationships with retailers, industry operators sell through wholesale relationships. These wholesalers, in turn, sell the manufactured products to retailers. This segment has been declining over the past five years as manufacturers bypass

Products & Markets

Major Markets continued

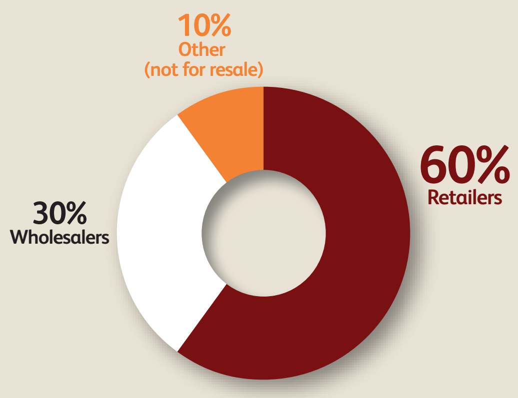
wholesalers to make their products cheaper for consumers.

Other

Other market segments include the government and businesses that purchase motorcycles and bicycles that are not for resale. Government purchases include police motorcycles and federal government transport. Businesses also purchase motorcycles and scooters. Businesses that need a convenient way to transport a small amount of goods purchase motorcycles for transport. Motorcycles are cheaper than vehicles and also usually get better gas mileage.

This translates into cost savings on behalf of the business. These businesses include pizza shops and other delivery type businesses. This segment has stayed steady over the five years.

Major market segmentation (2010)



Total $4.2bn

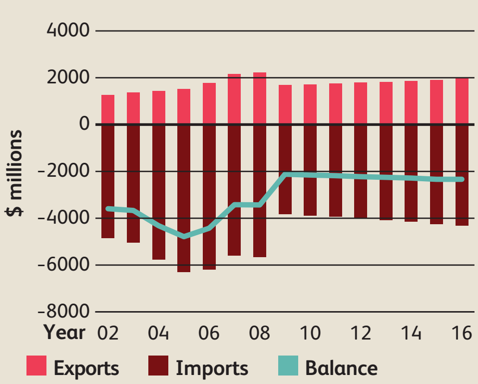
SOURCE: WWW.IBISWORLD.COM

International Trade

Level & Trend
Exports in the industry are **High** and **Increasing**
Imports in the industry are **High** and **Decreasing**

The decline in motorcycle sales over the past five years has resulted in a strong decline in imported bikes. In 2010, imports are expected to decline at average annual rate of 7.2% to $3.9 billion. However, this covered an underlying trend in the growth of imports over the last decade. Low labor costs in countries like China have borne companies that could undercut local producers by price. This boosted the import's share of the total market over the past 10 years. Low energy costs and less stringent enforcement of worker health and safety and environmental laws in other nations provide some foreign firms with a competitive advantage over domestic producers. Moreover, while many bicycle companies are American owned, their manufacturing operations

Industry trade balance



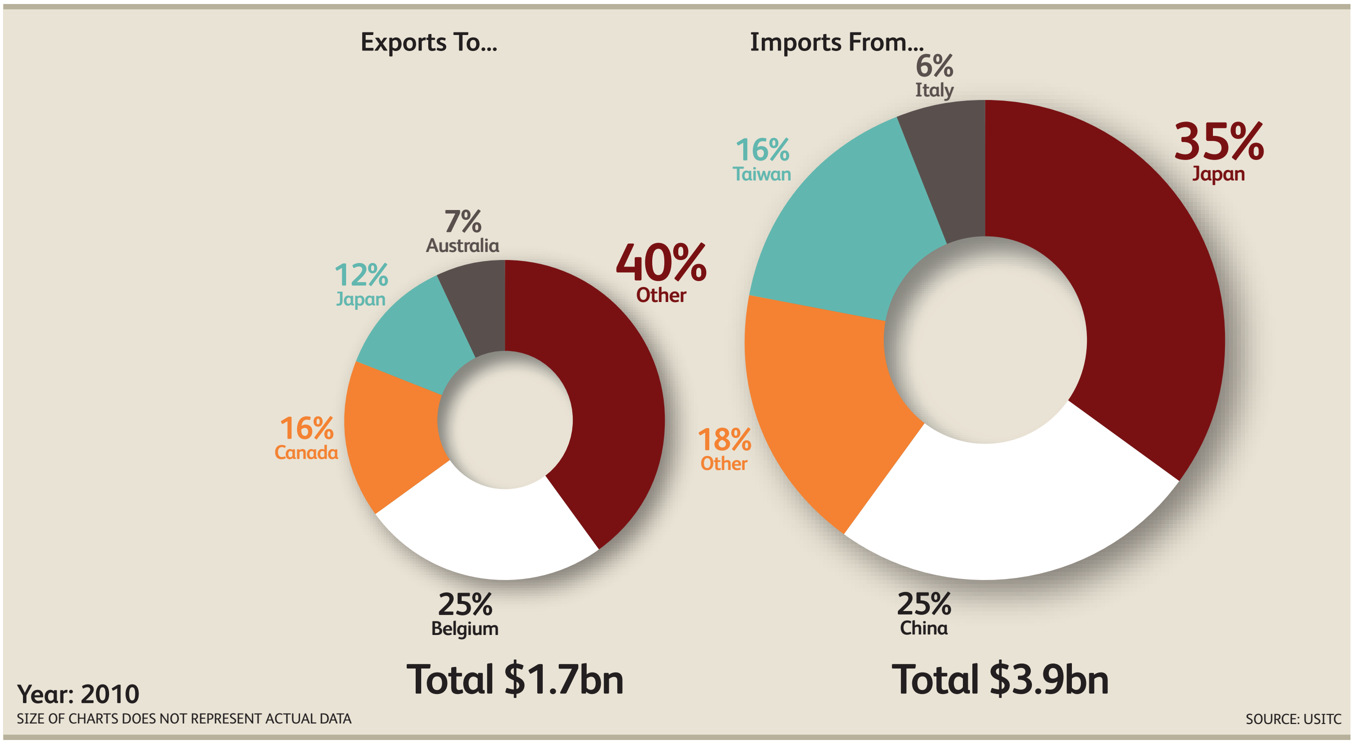
SOURCE: WWW.IBISWORLD.COM

Products & Markets

International Trade continued

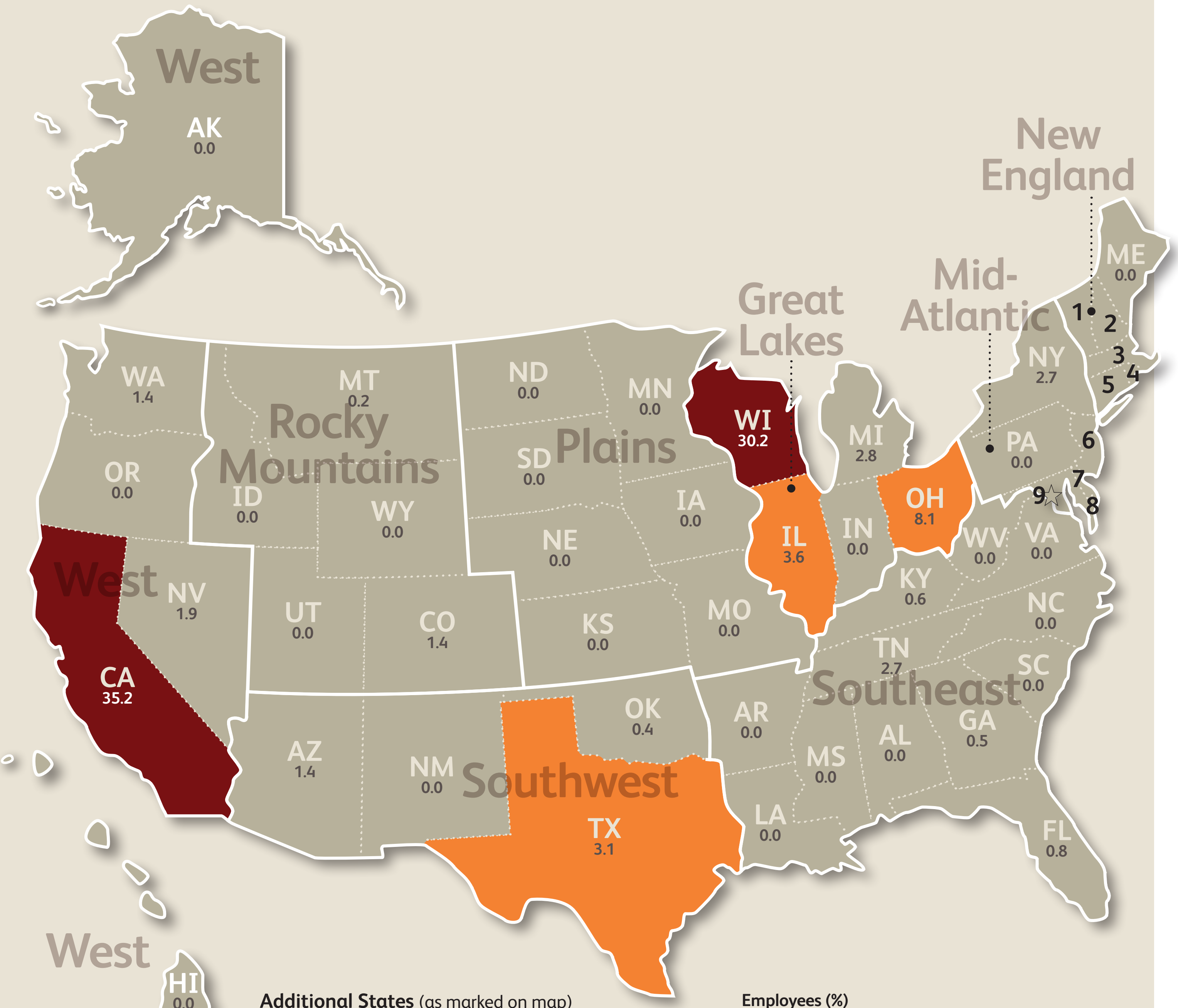
are primarily located outside the US, contributing to higher imports. The National Bicycle Dealers Association estimates that around 99% of bicycles in the US are imported.

Exports in this industry are mainly derived from motorcycles with Harley-Davidson the dominant player of US manufactured motorcycles. Exports totaled $1.7 billion, growing at an average an annual rate of 5.0% in the five years to 2010. Strong worldwide real GDP growth since 2002 has created a strong demand for premium motorcycles. However, the global recession has caused the demand for these motorcycles to contract sharply in late 2008 and 2009. One highlight for the industry during these hard times was the relatively strong demand coming from India and China. A rising middle class and continued economic growth in those countries has led to wealthier middle class. These consumers are increasingly looking to purchase toys that reflect their success and new found wealth. Harley-Davidson motorcycles have been an popular choice among these consumers.



Products & Markets

Business Locations 2010



Additional States (as marked on map)

1 VT 0.0	2 NH 0.0	3 MA 2.2	4 RI 0.0	
5 CT 0.8	6 NJ 0.0	7 DE 0.0	8 MD 0.0	9 DC 0.0

Employees (%)

- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM

Products & Markets

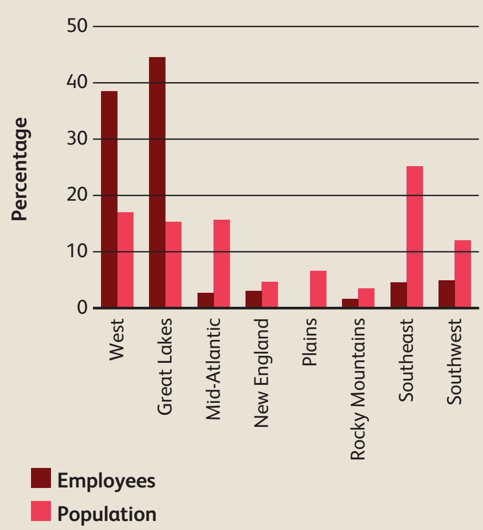
Business Locations

The industry's geographical spread has not changed markedly over the past five years. In general, industry employment is spread around the US in line with the location of major manufacturing centers.

Major manufacturing areas were originally chosen to be close to key markets and leverage manufacturing experience from other automotive sectors. Employment is largest in the Great Lakes where Harley-Davidson central headquarters is located. Other industry operators located here to source key parts from large automobile manufacturers. The next largest employment area is the West where favorable weather patterns encourage the use of motorcycles and bicycles and is not subject to seasonality factors. Manufacturers set up base here to be next to a key downstream market.

Other areas include other parts of the US where significant manufacturing operators are not taking place. Often manufacturers set up establishments for logistical purposes.

Distribution of employees vs. population



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **High**

The Motorcycle, Bike & Parts Manufacturing industry has a high level of concentration with revenue from the top two major players expected to be above 77%. Harley Davidson commands the most market share in this industry. Its positive brand awareness and dedicated following make it unlikely that the company will lose its top notch in the next five years. Market share concentration reflects large motorcycle manufacturers because of the large purchase tags for each of these items. Over the past five years, market share concentration has decreased as the closure of Honda's manufacturing facilities resulted in the outsourcing of some of their production line.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Must comply with required product standards
A key success factor for a firm operating in this industry is their ability to design and develop products that comply with legal standards. Products that do not meet standards are not able to be sold on the US market.

Development of new products
The research and development of new products is crucial to attract higher sales and broaden a manufacturer's customer base. However, entering into new segments with little experience can cause difficulties (such as Cannondale's foray into motor sports).

Economies of scope
Successful manufacturing businesses operate with economies of scope and scale. This enables them to manufacture more efficiently and increase their profit margins. Smaller operators are likely to struggle in the long run.

Access to the latest available and most efficient technology and techniques
Manufacturers should keep abreast of latest technological advances in various components and parts, as well as technical and performance characteristics. Failure to do so can result in poor quality product compared to the wider market.

Access to highly skilled workforce
The success of many companies in this industry depends on its ability to identify, hire, develop, motivate and retain skilled professionals.

Cost Structure Benchmarks

The cost structure of companies in the Motorcycle, Bike & Parts Manufacturing industry varies depending on the size of the company, the type of equipment used, the type of motorcycles/bicycles manufactured, the amount of sales generated and the pricing of products. Furthermore, the cost structure of individual firms fluctuates due to changes in the different products manufactured, the complexity of the product (custom designed), and the quality and quantity of materials used in the products construction. Larger firms tend to have higher costs because they have broader product lines, sell into wide geographical markets, have high research and development costs and sell more technologically advanced products.

Purchases
The major cost item for this industry is purchases. Motorcycle and bicycle builders require a variety of raw materials such as steel, raw steel, fiberglass, plastic, tires and paints in

Competitive Landscape

Cost Structure Benchmarks continued

addition to components like motorcycle engine and accessories. Companies import components and parts from overseas and assemble them in the US. Smaller establishments that do not have a research and development unit in the business will also need to purchase designs, parts and components from third party providers and this can have a significant impact on their expenses. In the past five years, many products and components have been manufactured at facilities located in foreign countries for lower prices. As a result, firms have begun sourcing products from China, Europe, Asia and Mexico. Purchase costs have fell over the past five years as local firms are beginning to source materials from abroad.

Labor

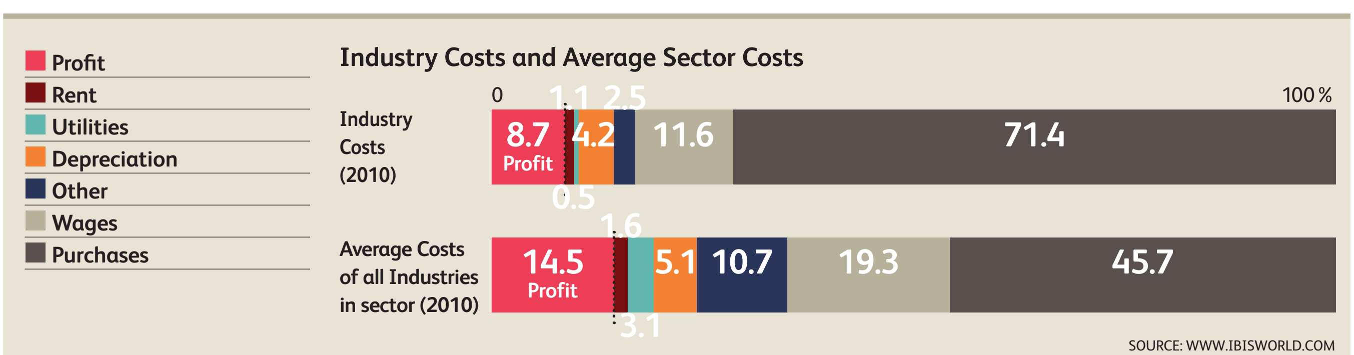
Labor cost for mass production motorcycles and bicycles are lower than niche builders that require more experienced workers. For larger companies, effective itinerary management, employment of part-time workers (especially within custom builders) and maximum use of technology and labor-saving machinery could lead to the efficient management of labor expenses. Over the five years to 2010, employment costs fell, due to re-organization efforts. These efforts were realized through a combination of higher technology utilization and importation of finished parts for assembly (rather than on-site manufacturing of parts) that reduced the demand for labor. However, firms that operate with unionized labor contracts often face hurdles with regard to lowering labor costs. These firms still experienced declines in labor costs as labor unions agreed to concessions as demand declined significantly during the recession.

Other

Other expenses include insurance, transportation, communications, legal, advertising, cleaning costs and repairs and maintenance. The location of customers and suppliers can affect the cost of inputs. Transportation costs can be higher or lower depending on the location of delivery. Proximity of manufacturers to customers lowers the costs associated with transportation and communication. Depreciation costs account for machinery and equipment used for motorcycle/bicycle building, office equipment, computer technology and software that loses value over time.

EBIT

Industry earnings before interest and taxes is at 8.7%, although is under pressure as a result of poor operating conditions in the domestic economy, and a decline in the demand for high-end motorcycles, which have the higher margins and generate a significant contribution to a company's



Competitive Landscape

Cost Structure Benchmarks continued

profitability. Margins will be particularly high in niche segments such as the chopper market which has received increased publicity as a result of programs such as Orange County Choppers. However, depressed demand can force manufacturers to shut down facilities entirely.

Basis of Competition

Level & Trend
Competition in this industry is **Medium** and the trend is **Steady**

The major competitors for motorcycle manufacturers are based outside America. Competition in this product segment is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference and warranties.

In the motorcycle segment, brand loyalty is very strong; therefore, competition in this segment is more likely to occur at the retail level, than between different dealers and manufacturers (e.g. Honda vs. Harley-Davidson). Loyalty also extends to the type of motorcycle preferred by consumers, with those riding cruiser/custom motorcycles being unlikely to switch to riding sports motorcycles. The US market is strongly centered on the cruiser/custom motorcycle market. However, manufacturers offering lower prices from abroad can undercut local producers. Competitive pressure has increased along with import penetration. When import competition has risen, domestic firms have reduced product prices and increased advertising and sales promotion.

Product innovation in this industry is another basis of competition. Firms that constantly innovate their products are likely to be more competitive than other firms and attract a strong following. However, increased product innovate has shortened product life-cycles and increased the risk of firm failure. One example is Cannondale, which launched a line of innovative motorcycles only to file for bankruptcy three years later as a result of heavy losses. The high research and development cost have increased competitive pressures and deterred entry into the industry.

Competition in the bicycle industry is based on perceived value, brand image, performance features, product innovation and price.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Steady**

Existing industry participants have built brand loyalty and are able to market their products aggressively. To gain customers from these segments is a barrier to entry and can deter new businesses from entering the industry. The high costs and risks associated with overcoming existing companies can result in greater sales and profit fluctuation and a high risk of failure. The capital costs related to investing in plant and equipment and technological expertise required to operate within this industry are relatively high. These set-up costs may deter firms from entering the industry.

Barriers to Entry checklist	Level
Competition	Medium
Concentration	High
Life Cycle Stage	Mature
Capital Intensity	Medium
Technology Change	Medium
Regulation & Policy	Light
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

Existing distribution and production capacities are barriers to entry in this industry. The larger businesses already

Competitive Landscape

Barriers to Entry continued

operating within this industry, such as Honda Motor Company and Harley-Davidson, have stronger abilities to produce and distribute goods and services at low costs compared with new entrants.

Products are subject to certification by the US EPA for compliance with emissions and noise standards. Manufacturers of transportation products are subject to the National Traffic and Motor Vehicle Safety Act, which is administered by the National Highway Traffic Safety Administration. Firms have to certify that products comply with all federal motor vehicle safety standards. This is a barrier to entry for most firms that are not familiar with the costs of compliance.

Industry Globalization

Level & Trend
Globalization in this industry is **Medium** and the trend is **Steady**

Globalization measures the extent to which this division operates on a global scale and is determined by the level of foreign ownership; the level of foreign operators; and the level of foreign interaction by local operators.

Industry participants that are foreign owned include Honda Motor Company, Suzuki Motor Company, Yamaha, Kawasaki, Piaggio, Aprilia, Ducati, Giant Manufacturing Company and Triumph Motorcycles. Many of these companies are from Asia and Europe. Besides Harley-Davidson, most of the manufacturers in the US are small and medium organizations operating as subsidiaries of larger international companies. It is also important to note that Harley-Davidson does not have any manufacturing facilities overseas but has an extensive network of dealers to cater for overseas markets.

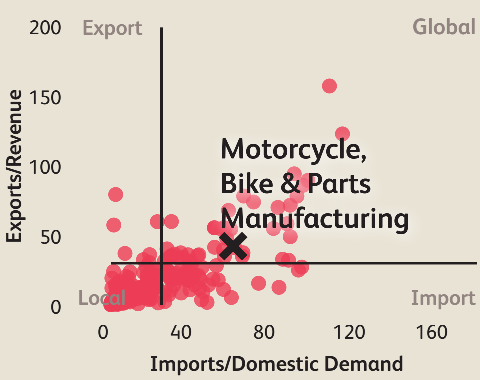
In the bicycle segment, there are only a handful of small companies and manufacturing boutiques that make high performance bicycles for cycling enthusiasts and many have relocated their manufacturing facilities to China and Taiwan to save on production costs.

International trade is a major determinant of an industry's level of globalization.

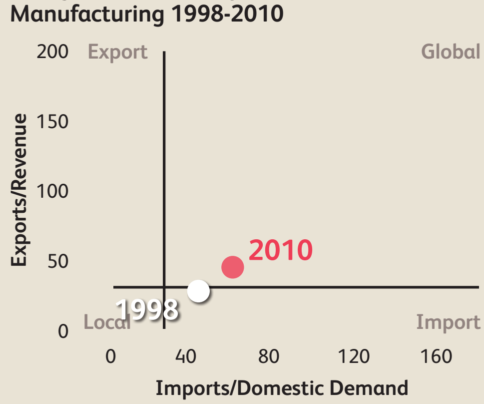
Exports offer growth opportunities for firms. However there are legal, economic and political risks associated with dealing in foreign countries.

Import competition can bring a greater risk for companies as foreign producers satisfy domestic demand that local firms would otherwise supply.

Trade Globalization



Going Global: Motorcycle, Bike & Parts Manufacturing 1998-2010



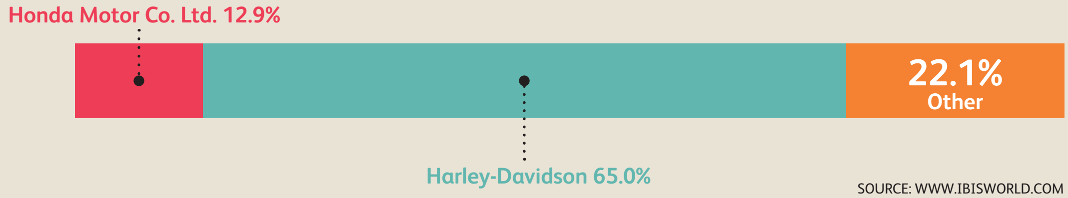
SOURCE: WWW.IBISWORLD.COM

Major Companies

Harley-Davidson | Honda Motor Co. Ltd. | Other Companies

Major players

(Market share)



Player Performance

Harley-Davidson
Market share: 65.0 %

Harley-Davidson was incorporated in 1981. The Motorcycles and Related Products segment, which accounts for 80% of the corporation's revenue, includes the group of companies doing business as Harley-Davidson Motor Company.

The primary business of the Harley-Davidson Motorcycles segment is to design, manufacture and sell premium motorcycles for the heavyweight market. The heavyweight market is defined as motorcycles that have an engine displacement of greater than 651 cc. The company has segmented the sales heavyweight motorcycles for to reach different customer profiles: Standard, Touring, Custom and Performance. Standard motorcycles have no "extra" features, touring products are built for traveling long distances, custom products give the customer the ability to add on different parts and accessories, and performance provide engines tuned for high speed travel. The company is best known for its Harley-Davidson motorcycle products, but it also offered a line of motorcycles and related products under the Buell brand name. The Company recently its interests in the Buell brand name in 2009. The company sells its products worldwide but derives approximately 68% of its revenue in the United States, where it holds about 50% of the heavyweight motorcycle market.

Rough riding

Revenue for the company is anticipated to shrink 5.8% in the five years to 2010. The recession hit the company hard as sales fell both in the US and internationally. Harley Davidson motorcycles are largely on the higher end of the motorcycle market. When disposable incomes fell during the recession, many customers held off on motorcycle purchases especially on the higher end of the spectrum. This spelled doom for the company as consumers avoided purchasing discretionary items such as high end motorcycles.

In response to the company's sales downturn, Harley Davidson divested assets and restructured business activities. In 2009, Harley Davidson sold the Buell Brand and MV Augusta (an Italian manufacturer of motorcycles. The company is expected to focus more on the international market as economic growth in the US has been slow. The growth of international shipments for Harley-Davidson motorcycles will continue to outweigh the growth in the domestic market as a result of the prevailing tough economic conditions domestically.

Major Companies

Player Performance continued

Harley-Davidson – financial performance

Year	Revenue ($ million)	(% change)	Net Income ($ million)	(% change)
2005	5,342	N/C	959.6	N/C
2006	5,801	8.6	1,043.2	8.7
2007	5,727	-1.3	933.8	-10.5
2008	5,594	-2.3	654.7	-29.9
2009	4,287	-23.4	-55.1	N/C
2010*	3,963	-7.6	65.1	N/C

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Player Performance

Honda Motor Co. Ltd.
Market share: 12.9 %

Honda Motor Co. manufactures automobiles, motorcycles, all terrain vehicles (ATVs), generators, marine engines, and lawn and garden equipment. Honda began manufacturing in the US as a small motorcycle company in 1959. Today, it is one of the leading manufacturers of motorcycles, power equipment, ATVs, generators, marine engines, and automobiles. In addition, it has recently entered into the aviation industry (HondaJet).

Honda's motorcycle business segment is most relevant for this industry. About half the sales from the motorcycle segment are for motorcycles and the other half is ATVs and personal watercraft. A small percentage of the worldwide motorcycle sales take place in the United States, averaging about 11% of worldwide sales.

In late 2008 Honda ceased production of the Goldwing motorcycles at the company's facility in Ohio. The facility produced around 70,000 units per year employing close to 1,000 workers. Honda has decided to import all motorcycles from production facilities in Japan but remain a competitor in the motorcycle retail industry. The last Goldwing rolled of the assembly line in July 2009.

New bike models stay steady

Over the five years to 2015, Honda's US motorcycle revenue is anticipated to increase 1.0%. Although sales dropped for most models, new models that were released in early 2009 performed well. Motorcycle enthusiasts, while negatively affected by the drop in disposable income during the recession, opted for lower price brands such as Honda. However, sales still dropped significantly overall. Most of the sales drop was experienced during 2009 and 2010, as slow economic growth did not lead to increases in disposable income and leisure time. Increased discretionary income and leisure time are potential demand indicators for motorcycles. However, Honda offers an alternative to motorcycle consumers who cant afford a Harley-Davidson.

Major Companies

Player Performance continued

Honda Motor Co. (US motorcycle segment) – financial performance

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2005	516.6	N/C	24.2	N/C
2006	540.9	4.7	25.4	5.0
2007	602.3	11.4	28.3	11.4
2008	768.4	27.6	61.0	115.5
2009	640.9	-16.6	14.9	-75.6
2010*	543.4	-15.2	23.0	54.4

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Other Companies

Dorel Industries

Estimated market share: 1.7 %

In 2008, Dorel Industries acquired Cannondale Bicycle Corporation. Cannondale designs, develops and produces bicycles at its factory in Bedford, PA, and the products are sold in 70 countries. The company operates subsidiaries in the Netherlands, Japan and Australia. The company also sponsors bike-racing teams to help promote its brand. Dorel industries is anticipated to bring in $69.5 million in industry-relevant revenue during 2010.

Yamaha

Estimated market share: 1.4 %

As well as manufacturing musical instruments, Yamaha owns 23.0% of Yamaha Motor Corporation, the world's number-two motorcycle maker (behind Honda). Established in 1955, it is a multinational company with a presence in 35 countries with 60 manufacturing facilities worldwide. Yamaha Motor also offers consumer financing and a line of apparel and gift merchandise. IBISWorld forecasts Yamaha to gain $60 million in US motorcycle sales in 2010.

Polaris Industries Inc.

Estimated market share: 1.1 %

Polaris Industries was formed in 1994 and is the successor to Polaris Industries Partners LP. Polaris designs, engineers and manufactures all terrain vehicles (ATVs), snowmobiles and motorcycles and markets them through dealers and distributors in the United States, Canada and Europe. Polaris Industries participates in the Motorcycle, Bicycle and Part Manufacturing industry through its Victory motorcycle business, manufacturing high-end motorcycles in direct competition with the likes of Harley-Davidson. Polaris introduced the Victory brand in 1998. Motorcycle sales contribute about 3.0% of total revenue every year. In 2010, Polaris is anticipated to bring in $46 million.

Huffy Corporation

Estimated market share: 0.7 %

After some difficult years, Huffy Corporation, a manufacturer of bicycles and golf products, is aiming to recover its market position. In October 2005, the company completed its Chapter 11 reorganization plan after it filed for bankruptcy a year earlier. Huffy's products are mainly aimed at the mass consumer bike market. In 2010, the company is expected to gain $29 million in industry-relevant sales.

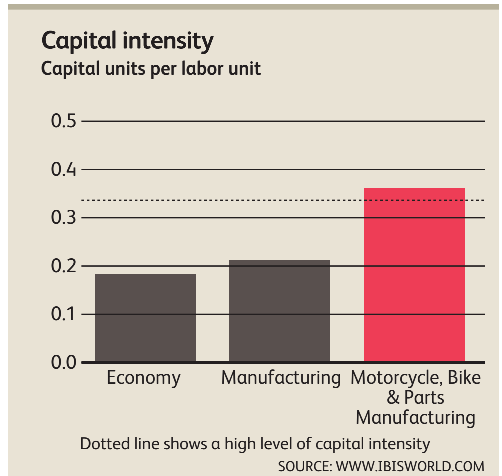
Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

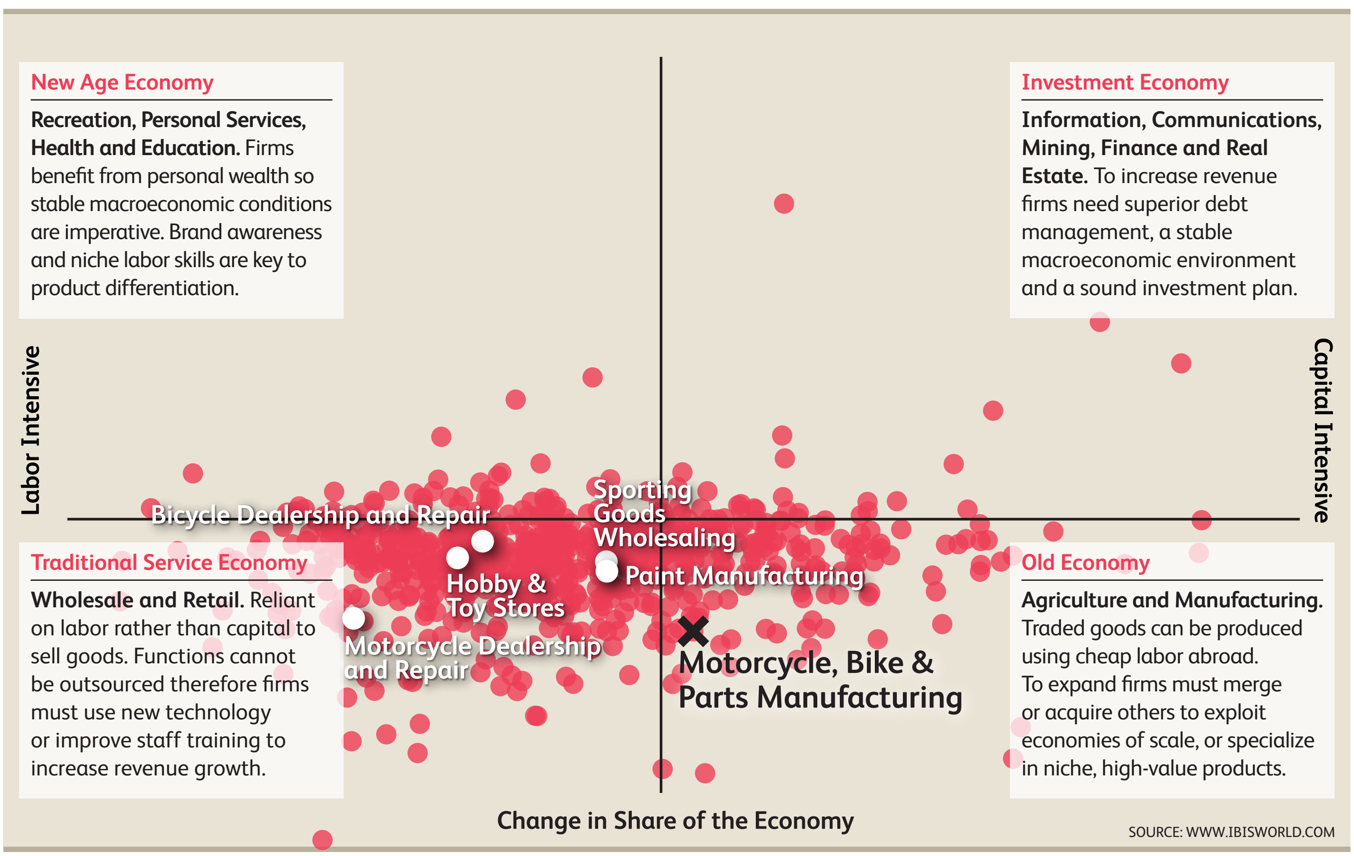
Level
The level of capital intensity required is **Medium**

Expenditure on wages accounts for a larger proportion of revenue than does capital with a typical firm in the industry using approximately 2.76 units of labor for each unit of capital. This means that for every dollar spent on capital, $2.76 is allocated towards labor. The average industry wage has decreased during the five years to 2010 period as a result of the importation of finished parts and components. Wages are relatively high as several employers have entered into union contracts with workers. As a result, the major cost for most operators is labor going forward. However, to compete in the next five years, operators will have to concentrate on research and development to compete with low cost imports.



As the industry continues to advance technologically, capital costs will increase

Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

as more specialized machinery and equipment will be required. Capital investment is estimated to have grown in the past five years as increasing import competition and a growing trade deficit has resulted in companies in the industry investing in labor-saving technologies that will produce greater cost efficiencies.

Capital intensity varies according to the scale of the operations. Many of the smaller operators in this industry are comparatively more labor-intensive, such as family businesses where the labor costs are higher because of financial constraints on capital expenditure. Efficient communications equipment, newer and more advanced tools and machinery and computer-assisted work scheduling can reduce the need for labor. However, many functions in the industry cannot be made less labor intensive as customer preferences, testing and safety requirements ensure a high degree of labor input. Over the long term, capital investment within the industry is likely to increase as competition becomes more intense and there is a greater demand for high quality bicycles and motorcycles.

Technology & Systems

Level
The level of Technology Change is **Medium**

The industry implements new technologies in an attempt to maintain a competitive cost structure by lowering manufacturing and operating expenses. Additionally, new technology implementation can give domestic producers an edge against low-cost foreign competition. These efforts typically include new product development. However, the reconfiguration of products to become more innovative must comply with government regulations. For firms to be successful, production facilities must accommodate rapid changes in production schedules and produce profitable batch runs of varying sizes.

Recent technological advancements in the industry have been in the areas of computer aided design, computer aided manufacturing and numerically controlled machine tools. The new generation of computer based technologies are much more accurate than manually controlled techniques, and are cost competitive with regard to labor. Most firms have introduced these modern systems at their manufacturing plants, with many utilizing robots in their production process. These systems enable management and staff to perform detailed and timely cost analysis of production by product and facility.

Motorcycles

Research and development efforts are significant factors in a firm's ability to compete in the motorcycling market. Technological innovation is focused on combining styling, purchasing and manufacturing together with to create a concurrent product. Most facilities include all aspects of production, where modern technology works alongside line workers.

Many technology and systems have been employed to cater for increased safety on motorcycles for both the rider and equipment. Motorcycle makers such as Honda Motor Co. are researching the implementation of airbags on some models to complement existing features such as antilock brakes to improve safety but also to save owners on insurance. Yamaha is also undertaking research in this area.

Other technology innovations recent to the market include: smart card key for motorcycles to prevent theft, development of the engine idling stop system for small motorcycles to reduce pollution and save on fuel and braking systems.

Bicycle

Similar to the motorcycle manufacturing, manufacturers are using robots and

Operating Conditions

Technology & Systems continued

computer tracking to manufacture custom designed bicycles as businesses in the United States concentrate on more sophisticated, value added products to compete with its overseas counterparts.

Bicycle design innovators use new materials and technology to increase safety and comfort levels for riders. The past three decades have seen the manufacture of bicycle frames advancing from steel to the use of extremely lightweight materials, including steel and aluminum alloys, titanium and carbon-fiber composites.

Molded carbon fiber metals are stronger and lighter which leads to better performance. Further, hydraulic brakes are replacing cable systems and electronic shifters are making changing gears easier.

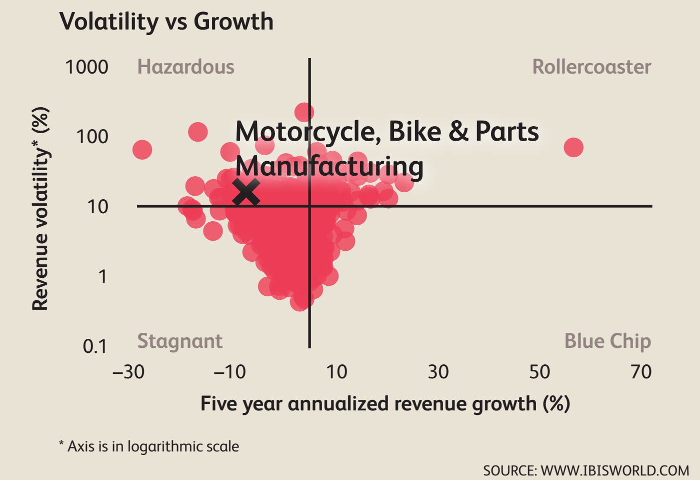
Revenue Volatility

Level
The level of Volatility is **Very High**

Industry volatility is derived from changes in disposable income and leisure time. Weather conditions, such as a heavy snowfall, rainy conditions or extremely high temperatures, can adversely affect product sales. Additionally, changes in leisure and recreational preferences influence sales of motorcycles and bicycles, and therefore affect production volumes. The age distribution of the population drives the demand and mix of products sold in this industry. The products of this industry are discretionary products, and are more likely to achieve higher sales in favorable economic times. Highly volatile economic conditions during the recession significantly added to industry volatility. Revenue volatility in 2009 increased well above historical levels with revenue declining in response to falling demand and the closure of a factory by Honda. Industry volatility is expected to be 21.6 over the five years to 2010; a score of above 20 points indicates a very high level of volatility.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



Operating Conditions

Regulation & Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

Motorcycles

All transportation machinery and equipment is required to comply with government regulations regarding safety, fuel consumption and pollution control. The National Highway Traffic Safety Administration (NHTSA) enforces these regulations. If a vehicle does not comply with an applicable Federal Motor Vehicle Safety Standards (FMVSS) or contains a safety-related defect, the manufacturer must notify NHTSA and affected vehicle owners, and to remedy, without cost, the defect or failure. A bicycle is classified as a vehicle.

Motorcycles are subject to certification by the US Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the State of California Air Resources Board (CARB) with respect to CARB's more stringent emissions standards. Motorcycles sold in certain states have different regulations. For example, motorcycles sold in California are also subject to certain tailpipe and evaporative emissions standards.

Other

Manufacturers' operations are subject to and affected by a variety of federal, state, local and foreign environmental laws and regulations relating to the discharge, treatment, storage, disposal, investigation and remediation of certain materials, substances and wastes. These are usually regulated by the US Environmental Protection Agency (EPA).

Associations

The National Bicycle Dealers Association is a non-profit organization promoting the interest of specialty bicycle stores in America. Its mission is to communicate the values and needs of specialty bicycle retailers, enhancing the profitability of specialty bicycle retailers and promoting the passion for cycling.

The Motorcycle Industry Council is a not-for-profit organization that promotes and preserves motorcycling and the US motorcycle industry. The council has more than 300 members and accomplishes its goals through activities in statistics, communications, government relations, technical and after market programs.

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

Motorcycles

Tariff protection was given by the Reagan Administration in the 1980s to Harley-Davidson for protection against Japanese competitors that reached as high as 45%. It has since expired. Unlike Europe, the United States currently does not have anti-dumping laws.

Bicycles

The level of tariff on bicycles varies according to size. The tariff is higher for larger units. In September of 2005, the President signed the federal transportation bill (SAFETEU-LU) that delivered an estimated $4.5 billion in funds to projects and improvements for cyclists and pedestrians. Federal transportation money has funded more than $800 million in bicycle and pedestrian projects and helped build more than 20,000 miles of shared-use paths.

Key Tariffs

Goods	Low Rate	High Rate
MFN tariff on bicycles	5	10
MFN tariff on bicycle frames	3.9	3.9
MFN Tariff on electrical visual signaling equipment on bicycles	2.7	2.7
MFN tariffs on motorcycles over 700cc	2.4	2.4

SOURCE: USITC

Operating Conditions

Industry Assistance continued

Associations

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Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establishments	Enterprises	Employment	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand
2001	5,901.6	2,094.3	390	383	15,033	1,242.9	4,742.1	778.2	9,400.8
2002	5,948.4	2,151.4	355	346	15,348	1,260.7	4,854.3	768.0	9,542.0
2003	5,946.9	1,967.6	387	379	15,443	1,384.4	5,052.1	781.3	9,614.6
2004	6,293.4	1,833.3	415	408	13,159	1,439.0	5,758.5	658.8	10,612.9
2005	6,578.5	1,960.7	441	434	14,126	1,515.6	6,303.2	695.4	11,366.1
2006	7,027.4	2,194.4	472	465	14,621	1,771.4	6,198.0	753.8	11,454.0
2007	6,779.0	2,093.3	465	459	13,854	2,167.8	5,590.0	703.6	10,201.2
2008	6,637.2	1,976.4	452	434	12,918	2,237.6	5,669.0	615.8	10,068.6
2009	4,136.1	1,380.9	428	389	11,892	1,699.8	3,819.7	533.0	6,256.0
2010	**4,204.8**	**1,351.3**	**406**	**367**	**11,047**	**1,726.4**	**3,882.1**	**489.3**	**6,360.5**
2011	4,280.0	1,370.5	411	374	11,163	1,758.3	3,940.7	484.9	6,462.4
2012	4,419.1	1,401.7	415	379	11,290	1,798.6	4,023.9	495.8	6,644.4
2013	4,508.6	1,430.3	419	385	11,401	1,831.1	4,084.1	506.0	6,761.6
2014	4,612.3	1,462.2	423	391	11,516	1,866.4	4,150.5	516.7	6,896.4
2015	4,764.5	1,507.8	430	399	11,668	1,916.3	4,253.4	531.0	7,101.6
Sector Rank	**167/192**	**167/192**	**137/192**	**132/192**	**169/192**	**86/181**	**76/181**	**175/192**	**151/181**
Economy Rank	**588/690**	**596/690**	**617/689**	**594/686**	**622/690**	**109/238**	**87/233**	**620/689**	**184/233**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2002	0.8	2.7	-9.0	-9.7	2.1	1.4	2.4	-1.3	1.5
2003	0.0	-8.5	9.0	9.5	0.6	9.8	4.1	1.7	0.8
2004	5.8	-6.8	7.2	7.7	-14.8	3.9	14.0	-15.7	10.4
2005	4.5	6.9	6.3	6.4	7.3	5.3	9.5	5.6	7.1
2006	6.8	11.9	7.0	7.1	3.5	16.9	-1.7	8.4	0.8
2007	-3.5	-4.6	-1.5	-1.3	-5.2	22.4	-9.8	-6.7	-10.9
2008	-2.1	-5.6	-2.8	-5.4	-6.8	3.2	1.4	-12.5	-1.3
2009	-37.7	-30.1	-5.3	-10.4	-7.9	-24.0	-32.6	-13.4	-37.9
2010	**1.7**	**-2.1**	**-5.1**	**-5.7**	**-7.1**	**1.6**	**1.6**	**-8.2**	**1.7**
2011	1.8	1.4	1.2	1.9	1.1	1.8	1.5	-0.9	1.6
2012	3.3	2.3	1.0	1.3	1.1	2.3	2.1	2.2	2.8
2013	2.0	2.0	1.0	1.6	1.0	1.8	1.5	2.1	1.8
2014	2.3	2.2	1.0	1.6	1.0	1.9	1.6	2.1	2.0
2015	3.3	3.1	1.7	2.0	1.3	2.7	2.5	2.8	3.0
Sector Rank	**83/192**	**139/192**	**183/192**	**186/192**	**188/192**	**109/181**	**103/181**	**188/192**	**85/181**
Economy Rank	**283/690**	**511/690**	**658/689**	**654/686**	**671/690**	**138/238**	**129/233**	**672/689**	**105/233**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2001	35.49	50.44	21.06	392.58	13.19	38.55	51,766.11	0.02
2002	36.17	50.87	21.19	387.57	12.91	43.23	50,039.09	0.02
2003	33.09	52.55	23.28	385.09	13.14	39.90	50,592.50	0.02
2004	29.13	54.26	22.87	478.26	10.47	31.71	50,064.59	0.01
2005	29.80	55.46	23.04	465.70	10.57	32.03	49,228.37	0.02
2006	31.23	54.11	25.21	480.64	10.73	30.98	51,555.98	0.02
2007	30.88	54.80	31.98	489.32	10.38	29.79	50,786.78	0.02
2008	29.78	56.30	33.71	513.79	9.28	28.58	47,669.92	0.01
2009	33.39	61.06	41.10	347.81	12.89	27.79	44,820.05	0.01
2010	**32.14**	**61.03**	**41.06**	**380.63**	**11.64**	**27.21**	**44,292.57**	**0.01**
2011	32.02	60.98	41.08	383.41	11.33	27.16	43,438.14	0.01
2012	31.72	60.56	40.70	391.42	11.22	27.20	43,914.97	0.01
2013	31.72	60.40	40.61	395.46	11.22	27.21	44,382.07	0.01
2014	31.70	60.18	40.47	400.51	11.20	27.22	44,868.01	0.01
2015	31.65	59.89	40.22	408.34	11.14	27.13	45,509.08	0.01
Sector Rank	**108/192**	**19/181**	**21/181**	**86/192**	**121/192**	**149/192**	**123/192**	**167/192**
Economy Rank	**403/690**	**23/233**	**29/238**	**222/690**	**484/689**	**220/689**	**335/689**	**596/690**

Figures are inflation-adjusted 2010 dollars. Rank refers to 2010 data.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

BICYCLE A predominately human-powered two-wheel vehicle.

CRUISER A motorcycle that is specifically designed for traveling longer distances and is generally used for leisure purposes.

MOTORCYCLE A two-wheel motorized vehicle, including automatic scooters, sports motorbikes, off-road motorbikes and cruiser-style motorbikes.

IBISWorld Glossary

BARRIERS TO ENTRY Barriers to entry can be High, Medium or Low. High means new companies struggle to enter an industry, while Low means it is easy for a firm to enter an industry.

CAPITAL/LABOR INTENSITY An indicator of how much capital is used in production as opposed to labor. Level is stated as High, Medium or Low. High is a ratio of less than $3 of wage costs for every $1 of depreciation; Medium is $3 – $8 of wage costs to $1 of depreciation; Low is greater than $8 of wage costs for every $1 of depreciation.

DOMESTIC DEMAND The use of goods and services within the US; the sum of imports and domestic production minus exports.

EMPLOYMENT The number of working proprietors, partners, permanent, part-time, temporary and casual employees, and managerial and executive employees.

ENTERPRISE A division that is separately managed and keeps management accounts. The most relevant measure of the number of firms in an industry.

ESTABLISHMENT The smallest type of accounting unit within an Enterprise; usually consists of one or more locations in a state or territory of the country in which it operates.

EXPORTS The total sales and transfers of goods produced by an industry that are exported.

IMPORTS The value of goods and services imported with the amount payable to non-residents.

INDUSTRY CONCENTRATION IBISWorld bases concentration on the top four firms. Concentration is identified as High, Medium or Low. High means the top four players account for over 70% of revenue; Medium is 40–70% of revenue; Low is less than 40%.

INDUSTRY REVENUE The total sales revenue of the industry, including sales (exclusive of excise and sales tax) of goods and services; plus transfers to other firms of the same business; plus subsidies on production; plus all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); plus capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED The market value of goods and services produced by an industry minus the cost of goods and services used in the production process, which leaves the gross product of the industry (also called its Value Added).

INTERNATIONAL TRADE The level is determined by: Exports/Revenue: Low is 0–5%; Medium is 5–20%; High is over 20%. Imports/Domestic Demand: Low is 0–5%; Medium is 5–35%; and High is over 35%.

LIFE CYCLE All industries go through periods of Growth, Maturity and Decline. An average life cycle lasts 70 years. Maturity is the longest stage at 40 years with Growth and Decline at 15 years each.

NON-EMPLOYING ESTABLISHMENT Businesses with no paid employment and payroll are known as non-employing establishments. These are mostly set-up by self employed individuals.

VOLATILITY The level of volatility is determined by the percentage change in revenue over the past five years. Volatility levels: Very High is greater than ±20%; High Volatility is between ±10% and ±20%; Moderate Volatility is between ±3% and ±10%; and Low Volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees of the establishment.