

Government's Green Growth Policy aims at getting:

South Korea's Bicycle Industry Back on Track

SEOUL, South Korea – South Korea's focus is on getting people out of their cars and onto bikes. Part of the so-called "Green Growth Policy" it is also the government's plan to get South Korea's bicycle industry back on track. So, what's the Korean market and bike sector all about?

By Jo Beckendorff

At the height of the financial crisis in 2009 even the prospering South Korean bicycle market was experiencing decreases. While no figures on the nation's home production are available, the detailed import and export statistics of the Korea Customs Service (KCS) show that from 2004 to 2008 bicycle imports increased. This number dropped for the first time in 2009. According to the KCS stats with 6.1%, to a total of 1.82 million units.

Imports

The largest piece of the import pie came from China (see chart 2). Nevertheless, in 2009 bicycle imports from China to South Korea dropped 6.6%, to a total of 1.72 million units. In other words:

94.5% of all 2009 bicycle imports into South Korea were from China. The largest import drop was out of USA (-80%), while the largest import increases came from neighboring Japan (+40%) and 'others' (+20%). The sharp drop in American bicycle imports between 2008 and 2009 can't be explained due to decreasing US bicycle production only. It seems that many US brands are going directly from the production nations, such as Taiwan and China, to South Korea. The double-digit import growth from Japan can be explained with the rising number of high-end up to 20 inch wheels mini-bikes, as well as a higher demand by South Korean consumers for the classic randonneur. Nevertheless, all these

numbers are – compared with the above mentioned import total for China – very small.

Exports

Totally different to the South Korean bicycle import development is that of bicycle exports. According to the KCS stats, bicycle exports in 2009 upped a big 167.1%. However, total export is only small in volume at 25,280 units (see chart). Unfortunately there is no specific data available on the current South Korean overall bicycle production. In the coming years production is expected to increase. This is due to the government's financial support of the national bicycle industry; part of their in 2009 announced "Green Growth Policy". One of the largest South Korean bicycle producers still in existence is Samchully. That company is working hard on a home country production revival. Smaller newcomers such as Young Yoo Precision – maker of the high-end parts brands FIERCE – or Spija and its carbon brand Aviaiv (founded by James Kim and once involved for four years at a Korean-Taiwanese carbon wheel joint venture in Taiwan) are pushing Made in Korea production with the help of governmental institutions. They try hard to fill the huge gap between their home country production and Taiwan's bike industry. That this will be a huge



Currently the South Korean market has a volume of about 1.8 million units and is dominated by Chinese imports. But this is to change as the government plans. Pictured here is a bike rental station at the Han river in Seoul.

Photos Jo Beckendorff

task is illustrated by Korea's bicycle export destinations (see chart 3). There is not one country named there that's known to have significant demand for high-end premium bicycle products.

Government-sponsored brands

It's doubtful that South Korea will be able to fill the gap between the current leading high-end production nations such as Taiwan within the time frame president Myung-bak Lee has in mind in his "Green

South-Korean Bicycle Imports 2009/2008 (units and by country)

	2009	2008	diff. (in %)
China	1.718.000	1.839.000	- 6,6
Taiwan	88.000	85.000	+ 3,5
USA	1.000	5.000	- 80,0
Japan	7.000	5.000	+ 40,0
Others	6.000	5.000	+ 20,0
Total	1.820.000	1.939.000	- 6,1

Source: Korea Customs Service (KCS)

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Bicycle Market South-Korea 2009/2008 (units)

	2009	2008	Difference (in %)
Export	26.280	9.840	+ 167,1
Import	1.820.000	1.938.000	- 6,1

Source: Korea Customs Service (KCS)

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Bike Production in Indonesia on the Rise

JAKARTA, Indonesia – Bicycle manufacturer PT Terang Dunia Internusa recently opened a second 40,000 m² plant in Sentul near Bogor (south of Jakarta on West Java). With the new facility the company increases its production capacity to 1.3 million bikes and intends to grow its export to Europe.

As well as expanding its exports to Europe, PT Terang Dunia Internusa goal with the new facility is also to increase its share of the home market. The company operates in the Indonesian bike market under the brand name United. According to a recent local newspaper report quoting sales and marketing manager Janto Hasan, PT Terang Dunia Internusa intends to grow its share of the home market to 40%. This will require half of the production total of the new factory. The

other half is destined for export to Europe. Currently the planned annual production total of the new factory stands at 300,000 units, but it can be increased to 1.3 million bikes. Currently there are three main local players operating on the Indonesian market. As well as PT Terang Dunia Internusa, the other two are Malaysian-Indonesian Polygon, and Indonesian Wim Cycle. It is estimated that annual production at Polygon stands at 550,000 units, while



Annual volume of the bike market of Indonesia, with its 240 million population; stands at about 6 million bicycles.

Photo Jo Beckendorff

Wim Cycle produces around 100,000 units per year. According

to the Indonesian bicycle industry association (AIPI) the annual

Indonesia's Largest International Bike Exhibition

Hoping to play a big role in expanding the bike market in Indonesia is the country's largest international bike exhibition – INABICYCLE 2011, at the Jakarta Convention Center 26 – 29 May 2011. The exhibition is jointly organized by Indonesia Bicycle Committee and Wcpitra Exhibition and supported by the Government of Jakarta Province. The exhibition is expected to be participated by +100 exhibitors and visited by 35,000 visitors from the general public, importers, traders, and bicycle communities and cyclists. More information on the event can be found online at: www.indonesiabicycleshow.com

volume of the bike market of the country, with its 240 million population; stands at about 6 million bicycles. Half of that total is imported from overseas. De-

mand is projected to grow by 20% per year as the market for cycling grows.

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Growth Policy". More on this policy is in the box article on this page. It doesn't matter how much high-technology know-how is lagging – it's a big challenge for the South Korean bicycle industry after counting on imports for such a long time. Some even question if South Korea will be able to develop a premium bicycle brand that's competitive on the world market in such a short time, which is exactly what the government has asked its institutions to work on and help make happen. Therefore, it seems to be easy right now for the national bike industry to get financial support from the government. But whether the country's advanced high-tech knowhow and the government's financial support is enough for the South Korean bike industry to be soon competing with the world's leading bike production nations, is another question.

Most positive market outlook

Nevertheless, the increased bicycle infrastructure ambitions by the national government will for sure get more and more South Koreans on a bicycle. Moreover South Koreans are willing to spend more money in health and fitness pastimes, as well as any leisure time activities. And, they believe in premium branded products. Currently premium bike brands are all imported to South Korea. These international brands are the ones that will benefit mainly from the national pro-cycling activities.

Government's 'Green Growth Policy' Invests Heavily into Bikes

South Korea's president Myung-bak Lee has a dream. He wants to convert his country into a green oasis with a nationwide bicycle infrastructure. To make this dream a reality, the government is pumping a lot of money into a national cycling plan. According to this plan, an expanded bicycle path network should increase bicycle use to 10% of all trips by 2017 (currently 1.2%). As part of the 'Green Growth Policy' it is also the government's plan to get South Korea's bicycle industry back on track. This plan stipulates that in 2015 it should be the world's third largest bicycle industry.

The government's announcement to build up the nation's once successful bicycle industry to new heights seems to be an especially difficult subject. It's doubtful that South Korea will be able to compete with the world's hub for high-end bikes – Taiwan, until 2015. Nevertheless South Korea is confidently pointing to its world-wide recognized advanced technological know-how.

There's not much left of the industry that was once exporting bicycle products into the world market. Today's Korean bicycle producers are more or less importers buying their products in nearby China. Corex for example – once on the way to conquer the European market before they went bankrupt, is counting on its headquarters R&D, but production is in China. Countryman Samchuly is also importing from China but has also some (entry level) bicycle production for its home market. Realistically, these bicycles can't compete on the world market.

The South Korean government is urging governmental institutions to help out with the set-up of a more advanced national bi-

cycle industry. For example, The Korea Institute of Sport Science (KISS) built up a bicycle test center in a suburb of Seoul. According to Sports Industry and Technology Promotion Team Assistant Manager Woo-Sup Han the center itself has been around since 2003 but was only testing helmets.

"Since 2006 we are also testing bicycle frames and parts. But the big push came when the government announced the 'Green Growth Policy' in 2009. Today this center works seriously on standards because if we want to export any products into the world market they must fulfill every international market's standards". When strolling through this center you will even find some new testing machinery from German test center EFBe Prüftechnik. KITECH (Korea Institute of Industrial Technology) is another governmental institute helping out.

"In May 2009 our president called for the revival of our bicycle industry. In October 2009 KITECH founded a Bike R&D Division that works close with our home country's bicycle industry. They can call us and we work with them on material technologies," states Senior Researcher Choi Ho Joon, the man responsible for the Advanced Metal Forming Technology Service Center out of KITECH's Incheon Technology Service Division. Major support is especially given to small- and medium-sized enterprises – not only in the field of material but also media and production support.

Joon is also showing a most challenging master plan for the revival of the nation's bicycle industry. According to this plan – and with the help and support of the entire South Korean bike community – they are planning to present a competitive,



Part of the government's 'Green Growth Policy' is to export Made in Korea bicycle products to the world; to present a competitive, high-end Made in Korea bike to the world market by 2011.

high-end Made in Korea bike to the world market by 2011.

"For 2012 and 2013 it's our plan to sell this bike in Korea and to build up a nation-wide sales network," says Joon. "At the same time we will introduce this bike to selected countries in the world market. With our technology-know-how we should be able to compete on the global bicycle market in 2014".

The Korea Institute of Machinery & Materials (KIMM) was also asked to help out. "We concentrate on security, R&D, function and simulation and are mainly working in the fields of ships, cars, and Maglev trains," says Principal Researcher Seong-Whan Park. The bicycle business is kind of new for KIMM, "but we hope we can help out with our advanced technologies." Even a governmental institution such as

the national custom service is involved in the government's Green Growth Policy. Customs Law Enforcement Officer Jeong-Woo Park out of the Export & Import Cargo Division is taking care of imported raw materials. High-end material also used by the bicycle industry has received attractive tax reductions and exemptions. "It's our government's longtime goal to export Made in Korea bicycle products to the world," says Park. "That's why we were asked to help out from our side with tax exemptions. Currently there are only four South Korean bicycle producers. To increase this numbers we have to support medium-size enterprises at its best. The governmental help and support that is given now due to the Green Growth Policy is especially most attractive for the small-to medium sized enterprises."

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