



2017 ANNUAL REPORT

MESSAGE FROM THE PRESIDENT



Welcome to the BPSA's first-ever Annual Report. We're pleased and proud to share with you all the progress we've made. Here are some highlights to look forward to:

- Our three core programs and how they're helping members
- New initiatives that broaden our appeal to more companies
- Our impressive national and local progress on e-bikes
- Our first-ever detailed financial report to members
- Our expanded Board of Directors and Member lists

I'm humbled to be a link in the chain of BPSA leadership that stretches back over a century. Let us know how the BPSA can serve you better in the coming year!

A handwritten signature in black ink that reads "Adam Micklin".

Adam Micklin
Felt Bicycles

HISTORY, VISION AND MISSION

The Bicycle Product Suppliers Association was founded in 1914 as the Bicycle Jobbers Association. As the industry has evolved and grown, the name was changed to the Bicycle Wholesale Distributors Association (BWDA), and in 2003, to our current name.

Over our century-long history, our Vision has remained the same: To create and maintain a business environment favorable to the interests of the North American bicycle industry, its suppliers, and the independent bicycle retailer.

An example of this, and a watershed moment for BPSA, was the creation of a standardized bicycle Owner's Manual in 1992. Plaintiff's attorneys were getting judgments against both bike companies and retailers based



Bill Austin, Jr. accepts the Lifetime Achievement Award for his father at the 2016 Bicycle Leadership Conference. Seven current and past BPSA Presidents joined in.

on varying standards for safety in company-specific manuals.

BPSA and our Safety Committee took charge, created a standardized Owner's Manual and licensed it to the bike companies for a small fraction of their individual costs, saving companies money and protecting them from liability.

Today, BPSA's programs continue in the same vein, representing our members in multi-year efforts

on many fronts, for all companies, regardless of size or product category.

Initiatives like cassette tariff reform, e-bike standardization and Prop 65 labeling requirements take the long-term commitment and focus that the BPSA has demonstrated for more than 100 years. As an industry, we're stronger together!

CORE PROGRAMS

We call it the “three-legged stool” of BPSA. These three core programs have been consistently maintained and advanced for decades and are critical to supply-side success.

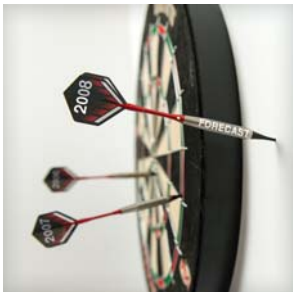
LEGAL/LEGISLATIVE



In partnership with People-ForBikes, and with the guidance of our Legal committee and Chair Matt Moore from QBP, BPSA examined over 20,000 pieces of bicycle-related local, state and Federal legislation and regulation in the past year. In addition, our

ongoing Legal efforts include critical multi-year tracking of issues that impact the whole industry, such as cassette tariffs, Prop 65 and bills such as the Oregon bike tax. You never know when BPSA and PFB will need to join forces to fight for YOUR product category!

STATISTICS



BPSA has been tracking industry sales statistics for decades. The system has evolved from hand-written and faxed reports, to a world-class process of data collection and analysis. In 2009, BPSA engaged the services of Leisure Trends, now NPD

Group, to collect sell-in data from our members. In addition, a sell-through protocol was established that now includes tracking POS data from over 500 retailers. This effort is led by Statistics committee Chair Bernie Doring of Stages Cycling. BPSA members get monthly summary reports from NPD as well as access to analytics through the DecisionKey tracking system.

SAFETY



The primary function of the BPSA Safety committee chaired by Bob Margevicius from Specialized: To create and update Owner's Manual content for Adult and Juvenile bicycles as componentry and frame design and materials evolve and change.

We've also instituted a lower annual license price for new, small bike companies (as long as they're at the lowest dues level) to get them started properly.

RECENT PROGRESS

CASSETTE TARIFF



In March 2011, the industry was notified that US Customs was imposing a 10% duty on cassettes. BPSA Board members Trek, QBP and SRAM jumped into action, and five years of litigation and \$117,500 in BPSA legal fees resulted in victory in

July 2017. Cassettes will now be re-classified the same as tariff-free freewheels, with companies entitled to refunds of duties paid from past years. Dozens of companies that spec, import or distribute cassettes will save millions of dollars based on this concerted effort. Another great example of strength in numbers.

PROPOSITION 65

Continuing an ongoing effort that dates back to 2004, BPSA recently informed its members of updates to California's Prop 65 warning label regulations. The changes that go into effect August 30, 2018 require that companies now detail what specific chemical is contained in a product in excess of the allowable amount. A 2006 settlement helped bring key BPSA members together to work collaboratively and share costs. Otherwise, each of the companies could have been sued individually and attorney fees per company could have been in six figures.

OREGON BIKE TAX



Before this tax was passed in July 2017, the BPSA/People-ForBikes joint Legislative Monitoring group worked for months with The Street Trust and local bike businesses to minimize the impact and ensure that new

investments in bike facilities dramatically outweigh the revenue collected. Following a concerted campaign, the tax (originally proposed at 5%) was rolled back to a flat \$15, and the qualifying amount from \$500 to \$200. The projected \$1.2 million in annual revenue goes into a pool of over \$22 million of annual funding to build more bike facilities in Oregon.

E-BIKE PROGRESS



E-BIKES ON PAVEMENT

In 2017, the BPSA/PeopleForBikes e-bike initiative has resulted in new, progressive e-bike law in three more states: Colorado, Illinois, and Arkansas (joining California, Tennessee and Utah), which helps clear up the legality of e-bikes. The three-class system, which is now part of several e-bike manufacturer labeling programs, has significantly reduced consumer and retailer confusion about where to ride. Bills are also pending in Michigan, Ohio, and Wisconsin. Passing these bike-friendly bills is an important step, but the follow up with retailers and agencies – people connected to riders – is also critical. So we’ve published downloadable 50 state-by-state e-bike guides, which include suggested rides in every state. We work with retailers on messaging around e-bikes, and we attend local government meetings to explain what e-bikes are and where they are allowed. We are the voice for progressive e-bike policies and educational resources. This work requires broad support from a coalition of retailers, suppliers, advocates, state legislators, and land managers. Check out the results of this combined effort at peopleforbikes.org/e-bikes.

RETAILER TRAINING



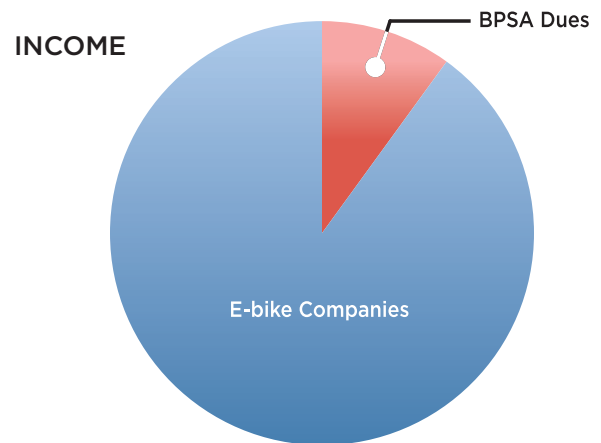
brands added the training to their brand-specific sites. Giant and Shimano both made translations into multiple languages to create global reach for the program. The videos are designed to inform and inspire front-line sales staff about this emerging category. At the same time, they teach sales techniques appropriate to the target consumer.

BPSA launched a series of 10 two-minute training videos in March 2017 called “Charged Up for E-Bikes” on the Myagi training site. Five other BPSA-member

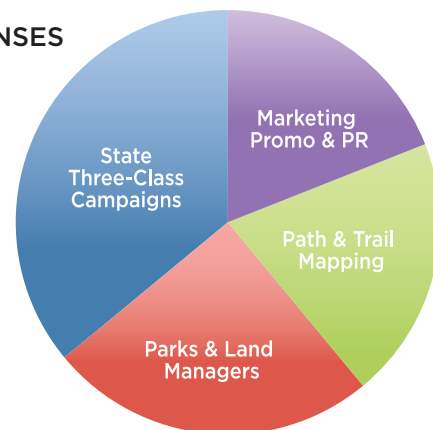
E-BIKES ON DIRT

Our electric mountain bike strategy centers around two things: First, building a user base of eMTB riders who can speak as a common voice for improved access for eMTBs, and second, working with all levels of government – local, state, and federal agencies – to advocate for common sense e-bike policies that are in line with the current user base and technology. For both of these objectives, we highlight great places to ride, and provide tools for land managers to understand and manage eMTB use. Riders looking for an eMTB-friendly trail can use our interactive map at peopleforbikes.org/eMTB, download an eMTB Adventure Guide for 10 destination-worthy rides across the U.S., or learn how to advocate for better access with our eMTB Playbook for Advocates. Our work with land managers has resulted in local and state parks opening up to eMTBs; the development of studies and data that help land managers better understand the social and physical aspects of eMTBs on trails; and positive discussions with the Forest Service, Bureau of Land Management, and National Park Service to update their policies.

E-BIKE FUNDING



EXPENSES



BICYCLE LEADERSHIP CONFERENCE



LEARNING AND NETWORKING

The annual mid-April Bicycle Leadership Conference, held in conjunction with the Sea Otter Classic, is the global bike industry's premier education, visioning and networking event. Owned and directed by BPSA, the BLC brings together 250 leaders from the supply, media, advocacy, association and retailer communities.

As BLC chair for the past three years, *Bicycle Retailer* Publisher Megan Tompkins mixed keynote speakers from outside our industry, like Clyde Fessler of Harley Davidson with company leaders from inside. Jerry Stritzke of REI revealed brutal truths that we all grapple with every day.

Combined with stimulating panels, a wonderful venue in the Monterey Plaza Hotel and Spa, dinners at the Monterey Bay Aquarium, and awesome 17 Mile Drive bike rides, the BLC belongs on every industry executives' schedule. Justin Gottlieb of Interbike directs the 2018 content team. The event will sell out for the third straight year, so sign up soon!

EDUCATION COMMITTEE

The newly formed BPSA Education Committee represents another area of growth for our association that broadens the number of companies whose needs and interests we serve. The Committee was formed to manage and expand the three current areas of education that are already under the BPSA umbrella:

- The Bicycle Leadership Conference
- The Interbike Supplier Seminar Series
- The Charged Up for Ebikes training

Industry citizens who have agreed to serve on the committee include:

- Megan Tompkins of *BRaIN*
- Chris Speyer of Accell NA
- Justin Gottlieb of Interbike
- Dan Mann of The Mann Group
- Ryan Atkinson of SmartEtailing

INDUSTRY COOPERATION AND PARTNERSHIPS

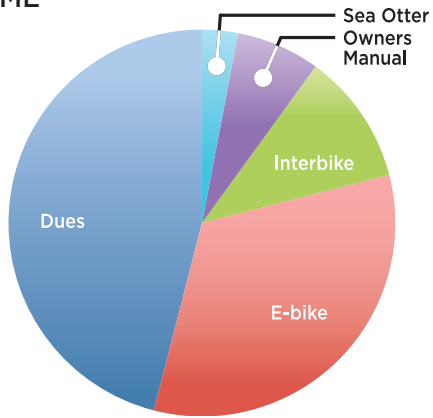


Our industry is stronger when our associations work together. The BPSA is proud to have a solid and productive relationship with PeopleForBikes, where we cooperate on both legislative monitoring and advancement of electric bikes. Other alliances include the National Bicycle Dealers Association (NBDA), the International Mountain Bicycling Association (IMBA), the Interbike trade show, the IBD Summit, Camber Outdoors (formerly OIWC), Project Bike Tech, and the Professional Bicycle Mechanics Association.

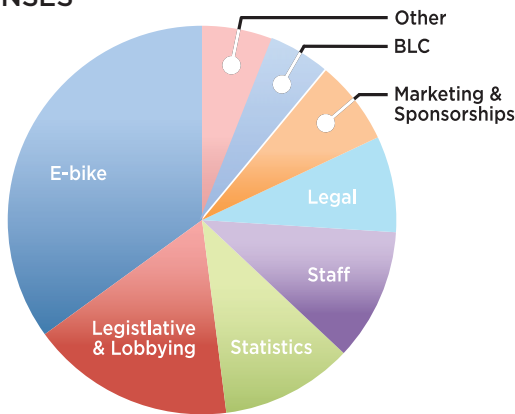
INTERBIKE 8% DISCOUNT

Our long-term partnership with Interbike, the industry's leading trade show, includes an eight percent discount on booth space for BPSA members who exhibit at Interbike. BPSA dues must be paid in full by December 31 of the current fiscal year for companies to be eligible for the discount. Thanks to Interbike for this great incentive for membership, as well as for their significant financial contribution to support BPSA's programs.

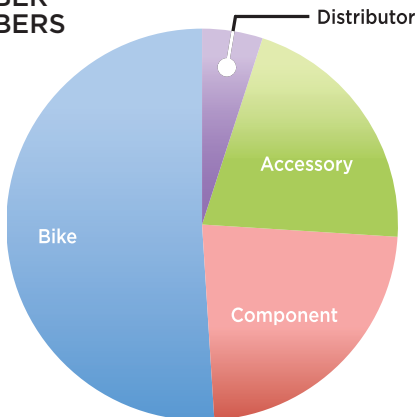
INCOME



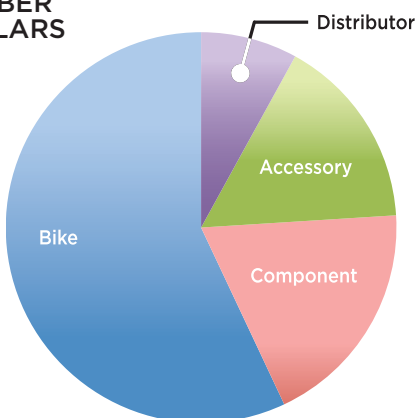
EXPENSES



MEMBER NUMBERS



MEMBER DOLLARS



FINANCIAL REPORT

To summarize our first-ever annual financial report: The BPSA is fiscally healthy. Our total revenue of just under \$1 million for our 2016-17 fiscal year is more than double that of just three years ago. We have six months' operating expenses on hand. And with your help, we will continue to grow our programs and solidify our position. Now let's examine the details.

INCOME

Our steady revenue increase is due to three factors: 1. E-bike programs. 2. A dues increase last year. 3. More Owners Manual revenue. As indicated in the pie charts to the left, the largest segment of the BPSA's income is from dues, 46% of our revenue. The next largest category of revenue is e-bike income. Ninety percent of this 33% of total revenue comes from e-bike and drive system companies. These funds are used exclusively on programs devoted to the promotion of e-bike use. Interbike's contribution is in exchange for BPSA's endorsement of their events; Sea Otter funds come from licensing the rights to run the Bicycle Leadership Conference.

EXPENSES

While e-bike expenditures are more than twice the next highest spend, 90% of those funds come from a special assessment on e-bike and drive system companies. Most of our Legislative/Lobbying dollars go toward our partnership with PeopleForBikes. Our staffing costs are the lowest on a percentage basis of any major industry non-profit. Statistics costs are based on our partnership with NPD. Marketing is largely budgeted toward print ads and the website. Event sponsorships balance out the Interbike revenue, while BLC expenditures balance the Sea Otter income.

MEMBERSHIP

BPSA actually lost members in the 2016-17 fiscal year due to the harsh market conditions. From a high-water mark of 110 members, we fell to 91. Many of those companies have committed to rejoining in the current membership year, and given our progress on so many fronts, we expect to bounce back over 100. While both the majority of members and dues dollars come from bike companies, there are more at the \$1000 dues level than at the \$15-20,000 level. Our major opportunity to grow membership is in the Accessory and Apparel side of the business. Distributor income is higher than distributor member numbers because of QBP and J&B's relatively large contributions.



OFFICERS



Adam Micklin
Felt Bicycles
President



Larry Pizzi
Raleigh Electric
Vice President



John Munhall
Giant Bicycle
Treasurer



Jeff Young
Niner Bicycles
Secretary

CURRENT MEMBERS

Abus Mobile Security Inc
Accell NA
ACT LAB
Advanced Sports
Benno Bikes LLC
Bianchi/Cycleurope
Bignay Inc.
BionX
BMC Switzerland
Bosch E-Bike Systems
Brooklyn Bicycle Co.
CamelBak Products
Campagnolo North America
Canyon Bicycles USA
CERO
Cervelo
Cycle Force Group
Cycling Sports Group, Inc.
Darfon America Corp.
DT Swiss
Duro Tire
Feedback Sports
Felt Racing

Focus Bicycles/
Kalkoff Electric Bikes
Frog Bikes Inc.
Full Speed Ahead
G. Joannou Cycle (Jamis)
Gates Carbon Drive
Giant Bicycle
Hans Johnsen
Haro Bicycles
HIA Velo
Huffy
Hutchinson Tires NA
Hydrapak
INNO Car Racks
J&B Importers
Kemco Group, LTD
Kenda USA
Kent International
KHS Inc.
Kona USA Inc.
Magura USA
Marin Bikes
Mirrycle Corp

BOARD MEMBERS

Fifteen industry leaders from companies large and small comprise BPSA's volunteer Board of Directors. Board members serve two-year terms, as do the Officers and committee Chairs. Board members attend three annual in-person Board meetings and numerous conference calls. We appreciate the employers of BPSA Board members for allowing these dedicated industry citizens to serve on behalf of all our members.

Brian Benzer,
SRAM, LLC

Bernie Doering,
Stages Cycling

Michael Forte,
Felt Racing

Roger Gierhart,
Trek Bicycle

Pat Hus,
Interbike

Andrew Kempe,
Shimano America Corporation

Bob Margevicius,
Specialized Bicycle Components

Matt Moore,
Quality Bicycle Products

Steve Reeds,
Cycling Sports Group

Megan Tompkins,
Bicycle Retailer and Industry News

Claudia Wasco,
Bosch E-bike Systems

Montague Corporation
Niner Bikes
Nite Ize
Norco
NPD Group
Odyssey (Bear Corp.)
OHM Cycles Ltd.
Oriental Boeki Corp
Ortlieb USA
Outdoor Gear Canada
Pack Trike
Park Tool Company
Pedego
Pioneer USA
Planet Bike
Primal Wear
Priority Bicycles
ProNet, Inc.
Propain Bicycles GmbH
Pure Cycles
Quality Bicycle Products
REI
Ridley USA/Podium Marketing

Ritchey Design
Shimano American Corp
SKS USA
Specialized Bicycle Components
SRAM, LLC
Stages Cycling
Stan's No Tubes
Sta-Tru Wheels
Suzhou Bafang Electric Motor
Tempo
Tern Bicycles
The Bike Cooperative
Tractor Bikes
Trek Bicycle
TRP
Vista Action Sports
Wahoo Fitness
We Make Things GMBH
Worksmen
Yakima Products
Yamaha Motor Corporation
Yuba Bicycles

JOIN YOUR INDUSTRY

These are challenging times for the U.S. bicycle industry. Market conditions are unsettled and rapidly changing. Which makes industry unity more important than ever. BPSA needs to continue our work involving multiple broad-based initiatives, established over a period of decades.

BPSA is on track to strengthen existing programs and create new programs that benefit companies of all sizes and product categories. We need to expand that progress, and we can't do it without broad-based support. Here's what a few of our valued members have to say about BPSA membership:



"One of the first things we did when we started Pure Cycles was to join the BPSA."

Michael Fishman, Founder and President, Pure Cycles



"We see the financial benefit of the BPSA and the impact of their work every single day."

Tom Kattus, General Manager,
Campagnolo North America



"BPSA is our trade association and it's only right that Primal joins and pulls our weight as industry citizens."

Dave Edwards, President and CEO, Primal Wear

JOIN THE BPSA

The BPSA has earned the financial support of the industry's leading companies through effective action. To continue the important work that benefits us all, we need a broad-based membership of large companies and small, established firms and new ones as well.

The BPSA is your trade association. We are a stronger industry when we all pull together with common goals and broad-based programs. The cost is reasonable and the benefits are impressive. Please join us!

To become a member of the BPSA, e-mail Ray Keener or join us directly at bpsa.org. Dues are based on North American sales volume:

Under	\$1.5 million:	\$1,000
\$1.5	~ \$5 million:	\$2,750
\$5	~ \$10 million:	\$4,500
\$10	~ \$50 million:	\$7,000
\$50	~ \$100 million:	\$12,000
\$100	~ \$500 million:	\$15,000
Over	\$500 million:	\$20,000



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