



BICYCLE
ASSOCIATION

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**A Bumpier Ride:
Challenges and prospects in the UK Cycling Market
January-June 2022**



Contents

Introduction	3
BA market reports	3
Acknowledgements	3
Report Coverage	3
Data sources	4
Market Data Service	4
Other sources	4
Note: Generalist and Specialist retailers	4
Abbreviations used in this report	5
Executive Summary	6
Section One – Market Analysis January-June 2022	10
Overall market overview	11
Bikes – detailed analysis	15
E-bikes – detailed analysis	17
PAC – detailed analysis	22
Other micro-mobility – detailed analysis	23
Generalists vs Specialists – H1 2022 performance comparison	24
Pricing trends	27
Bike prices	27
E-bike prices	30
Specialist vs Generalist bike/e-bike price rises	31
PAC prices	32
Sales Channels	33
Regional analysis	36
Section Two – Key Market Drivers	39
Supply	39
Cycling participation	43
Macro-economic/consumer context	47
Second-hand market may also be contributing to declining sales	50
Cycling and Walking Investment Strategy 2	42
Section Three – Market Size and Forecasts	54



Introduction

BA market reports

This report follows previous Bicycle Association reports on the UK cycling market published in 2020 and 2021. It is also the first of a new cycle of half-year and full-year reports. The next full-year report for 2022 is scheduled to be published in February 2023.

This report is prepared by the Bicycle Association's Head of Insights John Worthington, in conjunction with the wider BA Team and with input from industry. John has five years' experience of reporting on the cycling market, and over 15 years' experience as an analyst across wider consumer leisure markets.

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Report Coverage

Section One of this report contains an analysis of the UK cycling market in January-June 2022, including the overall market picture, detailed discussion of sub-categories, including bikes, e-bikes, PAC and other micro-mobility, including e-scooters, segment performance by Generalist and Specialist retailers, price trends, sales channels and region.

Section Two analyses key drivers currently shaping the market, including bike and e-bike supply trends, cycling activity levels, macro-economic factors and government investment plans.

Section Three provides estimated data on total market volume and value for 2019-21, and the Bicycle Association's current full-year forecasts for 2022-24.

Data sources

Market Data Service

The Bicycle Association's Market Data Service currently covers an estimated 70% of total UK cycling market sales by turnover, including data going back to 2018, and is updated each month. For details on how to access the full range of data and subscribe to the service please see <https://www.bicycleassociation.org.uk/market-data/>

Other sources

Other sources used in this report include the 2022 Bicycle Industry & Market Profile published by the Confederation of the European Bicycle Industry (CONEBI), the DfT's 'Transport use during the COVID-19 pandemic' tracker data, HMRC import data, Met Office weather data, and macro-economic data from sources including the Office for National Statistics, Bank of England, British Retail Consortium and Cornwall Insight.

Note: Generalist and Specialist retailers

References are made in this report to the retailer categories Generalists and Specialists.

Generalist retailers sell products and services alongside other types of product. Examples include Halfords, Amazon, Argos, Go Outdoors and Decathlon.

Specialist retailers only or mainly sell cycling products and services. Examples include WiggleCRC, Sigma Sports, Ribble, Islabikes, all independent bike shops and bike brand suppliers selling direct (eg Trek, Specialized, Giant, Raleigh etc).

Abbreviations used in this report

ASP	Average Selling Price
ATE	Active Travel England
B2B	Business-to-business
B2C	Business-to-consumer
BA	Bicycle Association
BoE	Bank of England
BRC	British Retail Consortium
CONEBI	Confederation of the European Bicycle Industry
CPI	Consumer Price Index
CWIS	Cycling and Walking Investment Strategy
D2C	Direct-to-consumer
DfT	Department for Transport
EPAC	Electrically Power Assisted Cycle
EU	European Union
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
MDS	Market Data Service
MTB	Mountain bike
ONS	Office for National Statistics
PAC	Parts, accessories & clothing
TfL	Transport for London
VAE	Vélo à assistance électrique

Executive Summary

Bike sales are down by a quarter from pre-COVID levels...

The first half of 2022 has seen a continuing downturn in UK cycling sales. The post-boom dip in demand, which began in May 2021, is colliding with an escalating cost-of-living crisis. Total market volume and value versus the first half of 2021 have declined by 27% and 25%, respectively.

Compared to the pre-COVID period in the first half of 2019, bike volume sales in the first half of 2022 were 24% down. PAC and services have followed suit, recording volume sales 20% and 19% below pre-COVID levels, respectively. Other micro-mobility volumes have fallen 30% below pre-COVID levels.

...But total market value remains 17% ahead of 2019

Despite falling volume sales across much of the industry, overall market value for the first half of 2022 remained 17% higher than in 2019. The key factors sustaining value growth have been a rise in average prices, the growing proportion of e-bikes in the overall sales mix, and a relatively resilient performance in the Specialist segment of the market, compared to the Generalist segment.

Hybrids and kids' bikes have lost market share

The downturn in bike sales is being felt across the product spectrum. However, hybrid bikes and kids' bikes have lost market share versus 2019. These are the two most 'mainstream' and least 'enthusiast'-oriented categories. Road and gravel, both of which are more 'enthusiast'-oriented, have grown their share.

E-bike growth has stalled overall but lower-priced products are performing better

E-bike volume sales during the first half of 2022 are almost double the pre-COVID period. Overall growth has stalled, although sales of e-bikes in the Generalist market segment have performed much better than Specialist sales during the first half of 2022. This is driven by an influx of lower-priced e-bikes, and product shortages at the premium end.

E-cargo has emerged as a growing product

In a challenging overall market, electric cargo bikes are an emerging product category. Volume sales during the 12 months ending June 2022 increased by 40%, compared with July 2020-June 2021. Current BA estimates suggest the latest annual market size in terms of volume may be around 8,000-10,000 units, with at least 50% of that total likely to be sold in the B2B sector. Larger future growth potential lies in the urban B2B space.

E-bike share of all spending on bicycles has reached 30%...

The e-bike share of overall bicycle purchases (mechanical plus electric combined) has been steadily growing since 2019. That share accelerated in the first half of 2022 - the result of mechanical bike sales declining while e-bike sales remained flat. During January-June, e-bikes accounted for 9% of all bicycles purchased by volume, up from 6% in the first half of 2021. More strikingly, 30% of all consumer spending on bicycles during the first half of 2022 was on e-bikes (up from 26% in 2021).

...But UK share of the 'European market' remains low

However, the UK market remains a long way behind many European countries. Within the European market overall, e-bikes reached 23% of all new bicycle purchases by volume in 2021. The UK's volume share of the whole 'European bicycle market' in 2021 was an estimated 14% for mechanical bike sales, but only 3% for e-bikes (source: CONEBI).

Further growth spurt in e-scooters expected when legalisation is announced

Volume sales of adult electric scooters in the first half of 2022 remain well ahead of pre-COVID levels (+149%). However, following a strong early COVID boom when annual market volumes trebled in 2020, decline began around the same time as the fall in bike sales from May 2021. E-scooter sales have also been affected by negative media coverage in recent months. Expected legalisation for use in public spaces is likely to be the trigger for a new growth spurt, but the timing of this remains unclear.

Bike prices have increased four times faster than inflation since 2019

Average bike prices have risen continually since the early stages of COVID-19: a 49% rise since the pre-COVID period, including a further 13% increase over the past 12 months. Overall price increases for bikes since 2019 have been around four times greater than general CPI inflation (12%). This has been driven by a mix of factors: demand exceeded supply in 2020 and removed the need for retailers to discount; ongoing product shortages in some areas; and inflationary pressures throughout the supply chain.

There have been signs in recent months that the upward price trend in bike prices may be starting to slow. However, with the Pound falling to a two-year low against the US Dollar in July 2022, further price rises appear possible.

Supply is improving but shortages remain in areas of higher demand...

Following 2021's acute supply problems, the first half of 2022 has seen a gradually improving picture across much of the industry. However, inventory remains patchy and inconsistent, with ongoing shortages in many areas where demand remains relatively strong, such as carbon road bikes, gravel bikes and electric mountain bikes.

Trade information also points to a mounting problem of skilled labour shortages. Recruitment and retention difficulties among workshop staff are having an impact on areas such as servicing and bike assembly.

...And a surplus of lower-priced stock is building

At the same time, there are large quantities of excess stock building at the lower-priced end of the market, including bikes and many PAC products, including helmets and clothing items.

2021 saw a 12% increase in the volume of mechanical bike imports into the UK, totalling around 3.0 million units. The BA estimates that 2.4 million bikes were sold in the UK in 2021. The latest available data for January-May 2022 still shows import units tracking at 15% above 2019 levels – while sales have fallen 25% below the 2019 level.

Rise in cycling activity may bode well for future sales...

Despite falling sales, cycling activity appears to be relatively strong. During the first seven months of 2022, DfT data shows cycling levels were tracking well above 2021 levels. Following a sluggish start to the year, for March-July 2022 average daily cycling activity reached 139% of the March 2020 baseline (compared to 93% in 2021). Average weekend activity reached 166% of the baseline (compared to 129% in 2021). Weather is likely to have been the key factor, with 2022 seeing significantly warmer temperatures, more sunshine and less rainfall.

This relative buoyancy of cycling participation may bode well for a future uplift in sales, once recovery begins and normal ‘purchase and replacement cycles’ return.

...But a darkening economic picture is likely to delay recovery

The macro-economic ‘weather’ has deteriorated sharply during the first half of 2022, with inflation reaching a 40-year high, the biggest real terms decline in wages since 2001, and the GfK Consumer Confidence Barometer reaching a record low since the index began in 1974. Further steep hikes in energy bills in the autumn will put household budgets under severe pressure.

Fears of a recession are growing. The IMF expects the UK economy to slow significantly in the second half of 2022, and to be the weakest of the G7 economies in 2023.

Cost-of-living impact on cycling market is likely to be uneven

The impact of the cost-of-living crisis on the cycling market is likely to be uneven. The market may be relatively insulated, to some degree, by the above average affluence of its core enthusiast customer base. However, the mainstream family market (including kids’ bikes) is likely to be impacted, and younger adults are likely to be more affected, on average, than older customers who have greater savings and mortgage equity.

Among consumers who do have disposable income, post-COVID ‘revenge spending’, particularly on overseas holidays, will have an impact on other major purchases in 2022. This will reduce the amount of cash available for new premium bikes and e-bikes.

Record bike prices and cost-of-living crisis are raising the appeal of the second-hand market

While new bike sales are struggling, one sector which (anecdotally at least) may be performing better is the second-hand market. Record bike prices and the cost-of-living crisis are inevitably raising the appeal of second-hand purchases to consumers.

As of 2 August 2022, eBay offered around 32,000 used bicycles for sale in the UK, and recorded 59,000 UK sales of used bikes in the last 90 days. This compares to 45,000 sales recorded on 23 December 2021. Assuming these figures to be typical, that may suggest around 210,000 annual sales on eBay alone. Other leading sites include Gumtree and Facebook Marketplace.

Bike volume sales are forecast at two million for 2022

For full-year 2022, the BA forecasts mechanical bike volume sales to finish 16% below 2021 levels (and 22% below 2019 levels) at an estimated two million units, with similarly sharp falls seen across most other categories.

2022 is expected to be the low-water mark of the ‘post-COVID slump’. However, recovery is likely to be slow and gradual given the ongoing macro-economic uncertainties. Volume sales for bikes, PAC and services are currently forecast to return to around, or just below, 2019 levels by 2024.

The upward price curve of the past two years is likely to soften at some point, but prices are not expected to fall back to pre-COVID levels. The BA forecasts total market value for 2022 at £1.9 billion, 19% ahead of 2019 levels. As of August 2022, the BA is forecasting total market value in 2024 at £2.174 billion, 36% ahead of 2019.

E-bikes will drive future growth, but lack of policy incentives remain a barrier to a faster increase

E-bike volumes are forecast to remain flat at around 165,000 units in 2022, then to return to steady growth of 6% in 2023 and 11% in 2024. This sector will be the key driver of market value growth in future. However, given wider economic uncertainty and the continuing absence of government incentives to purchase e-bikes, the Bicycle Association remains cautious about forecasting higher volumes of growth over the next two years.

Long-term growth drivers remain positive

Once the COVID-driven, ‘inverted V-shape’, rise and fall in demand has fully played out, supply chain flows have stabilised, and the wider economic picture begins to brighten, we expect cycling market volumes to grow steadily, rising above the pre-pandemic platform of 2019.

Ongoing investment in infrastructure, the impetus towards net zero and cleaner-air cities, and a rising consumer focus on health and wellbeing remain the key long-term drivers of incremental growth. In a period of political and economic uncertainty, the Bicycle Association will continue to hold government to its investment commitments, and ensure they are delivered at local level.

In this challenging environment, the BA will focus on its key priorities to support an accelerated return to growth and promote the longer-term objectives of the industry. These include: positioning the industry as an enabler of ‘green jobs’ and net-zero carbon targets; building support for e-bike purchase incentives; championing the importance of children’s cycling; engaging the wider industry through the Investors in Cycling programme; and investing in the BA’s Market Data Service to improve our analysis, presentation and understanding of market trends.