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## **Pedaling high-end Fuji bikes**

By Peter Van Allen Staff Writer

The Northeast Philadelphia owner of the Fuji Bicycles brand hopes to expand its market share by adding a line of high-end bikes.



*Champion racer Karen Bliss leans on a \$3,400 Fuji mountain bike.*

Advanced Sports Inc., which last year had worldwide sales of \$50 million, plans to expand beyond its Fuji and SE BMX bikes to offer a lightweight, carbon-fiber bike sold under the brand name Kestrel, a line Advanced Sports acquired in September from a Santa Cruz, Calif., company. It's part of the company's strategy of leveraging the performance of the mainstream Fuji brand while buying bike brands that are strong in particular niche markets.

With Kestrel's re-launch in April, Advanced Sports hopes to gain credibility among a hard-core segment of road racers and triathletes -- people willing to pay \$2,000 to \$8,000 for a high-performance fast bike.

"Fuji also has bikes that go up to \$8,000, but we're going after different markets," said Patrick J. Cunnane, president of the company. "Kestrel is strong in the triathlon market. A brand has a certain breadth, and Kestrel has more room to grow."

With Kestrel and the other bike brands, Advanced Sports hopes to build its market share at independent bicycle dealers from the current 5 percent share to 10 percent by 2011.

Advanced Sports moved to Philadelphia in 2004, lured by cheaper real estate and incentives offered by the Philadelphia Industrial Development Corp. It has created 40 jobs and now occupies 70,000 square feet on Dutton Road in Northeast Philadelphia.

PIDC gave the company a five-year, low-interest "welcome fund" loan. It paid no transfer taxes when it bought the property. As a bonus, from Advanced Sports' perspective, it sold its former Bergen County, N.J., site for \$82 a square foot and bought the Philadelphia property for \$23 a square foot. The site is mainly used for storage of the bikes once they get shipped from China, where they are manufactured.

Fuji was originally a Japanese company, named for Mount Fuji and started in 1899. In the 1970s, it started a U.S. subsidiary and that entity has since changed hands a few times. Advanced Sports took over the brand in 1998.

In recent years, many bicycle companies, including Fuji, have had to cope with the availability of inexpensive brands and deep discounting.

"My job was to make the company profitable. Sales were declining. We have investors from Taiwan and China that weren't happy," said Cunnane, who joined the company six years ago. "In 2001, we repositioned the brand. At the time, Fuji was sold through mail order and at Sports Authority and big-box stores."

Cunnane took the company on an entirely different tack, putting Fuji bikes in independent bike shops, separating the line from mass-market brands like Schwinn, now owned by Montreal-based Dorel Industries Inc. On the face of things, it seemed like a risky move, since independent shops were getting battered. It also required a persistent sales presence, given that Fuji's 840 dealers have 950 locations, or basically one per owner.

"It comes down to establishing 840 relationships," Cunnane said.

Even with the shrinkage of the independent bike shops -- from 6,000 U.S. shops in 2000 to 4,200 today -- Cunnane was convinced Fuji needed the credibility of bike-shop owners, who have the respect of enthusiasts.

"The customer relies on the independent bike shop. We rely on bike shops. Our belief is the shop owner influences 80 percent of sales," he said.

Still, the larger company sought better market penetration, subscribing to the notion that even if the overall market didn't grow they could still capture a greater share of that market.

The strategy worked.

In 2002, the company doubled sales, from \$7.5 million to \$15 million, claiming 12 percent of the market devoted to road bikes or racing bikes. Part of the gain could

be attributed to what is called "the Lance effect," the influence of American Lance Armstrong's wins at the Tour de France.

Yet Cunnane still sought to build influence in other segments of the bicycle market.

To help position the company among serious bicyclists, Cunnane hired a longtime bicycle racer, Karen Bliss, as marketing communications manager. Bliss, a Quakertown native, was a member of the U.S. National Team, where she was known as the winningest female bike racer in North America, with 400 wins.

Like other Advanced employees, she often tests prototype bikes on two vacant acres behind the headquarters.

On a recent tour of the company's bike shop, Bliss pointed to a newly minted Kestrel, and said: "I've never been a bike geek, into the latest gear, but there's something about this bike that's really cool."

No one is more passionate about the bikes than Cunnane. At 12, the Jenkintown native begged Keswick Cycles in Glenside for a job and he started out sweeping floors. As an adult, Cunnane went on to work for two major bike makers, Ross and Giant, and also owned Cunnane Bicycle Co., making the Advanced Sports job as president a natural next step.

But Cunnane saw where the company could fill niche demands.

To tap into various markets, Advanced Sports sponsors four racing teams, but also plays a role in community efforts like bike-share programs, which promote bike use in urban areas.