



# Dorel's Martin Schwartz Talks Shop

Text & Photos: Editorial Dept.

Since its establishment in 1962, Dorel Industries has built itself into a world-class bicycle, furniture, and juvenile products company. Originally founded in Montreal as

a seller of crib mattresses by Leo Schwartz, father of current President and CEO Martin Schwartz, Dorel went public in 1987, and is listed on both NASDAQ and the Toronto

Stock Exchange. Dorel has about 4,600 employees worldwide, and posted total earnings of US\$2.14 billion, down 1.9% from 2008. But the news is definitely not bleak. Through

a number of savvy acquisitions over the past few years, Dorel has become a major force in the bicycle industry, and is now responsible for such popular cycle brands as Mongoose, GT, Schwinn, and Cannondale. Dorel CEO Martin Schwartz has been coming to Taiwan on business for 35 years, and he shared some of his thoughts regarding the cycle industry with Wheel Giant at this year's Taipei International Cycle Show.

The recent global economic recession hit many industries hard in 2009, but was especially tough on companies in the bicycle industry. Some bike shows had severely reduced attendance last year, and quite a few companies were bought out or went under completely. Schwartz thinks things may be looking up for the industry, though. "The 2010 Taipei Show feels bigger than last year. Last year was a very difficult year for the bicycle industry. At this year's show, the industry seems to be getting some life back." Schwartz was especially impressed with the new engineering designs for packs and saddles.

Dorel's recreation and leisure segment, which includes its bike brands, now accounts for 32% of Dorel's annual turnover. In contrast, the juvenile segment and the furniture segment, Dorel's long-time indus-

tries, account for 46% and 22%, respectively. And even though Dorel's 2009 posted earnings were down from 2008, the recreation and leisure segment posted a 3.8% increase, from US\$656 in 2008 to US\$681 in 2009. Total profits due solely to its Cycling Sports Group were up 1.9% from 2008, to US\$153 million. Dorel's bike profits aren't all due to higher-end bikes: 60% of posted CSG profits were from mass market sales, while only 40% were through IDB channels.

Dorel still produces a few things in the US and Canada, but generally out-sources almost all its production to factories in Taiwan and China. As a percentage of Dorel's overseas production, China accounts for 90% of production units but only 80% of profits. Schwartz believes that Chinese factories still have room for improvement. "Chinese factories must become more efficient and more automated. Dorel still produces some juvenile products in the US, and our US factories are able to financially compete with China. If Chinese factories want to be competitive, they must become more efficient."

Dorel acquired the premium brand Cannondale in 2008, and Schwartz is very pleased with the results. Dorel is expanding Cannondale, Schwinn, and Mongoose into Europe,

with favorable results. Says Schwartz, "We are ahead of projections in Europe for Cannondale. We predict very nice growth for Cannondale over the next few years.

Though he can definitely see the appeal, Schwartz is not quite as optimistic about the growth of e-bikes in North America. "E-bikes in the North American market is going to take a little time. The higher speeds that newer e-bikes can reach are going to be a conflict-- too fast for bike paths, too slow for car lanes." And although he also likes the idea of rental bikes to alleviate traffic in city centers, he sees practicalities that need to be resolved. "Montreal, for example, doesn't provide enough end-point parking for rental bikes. I also think helmets are very important, and most rental bikes aren't equipped with them."

Dorel has been making big waves in the cycle industry in recent years through its acquisition of some big names, and Schwartz is confident that Dorel's growth will continue. "Dorel will expand both organically and by acquisition, and not just in bikes, but also parts and accessories. If a good brand becomes available, and it doesn't interfere with what we have today, we'll look at it. But we will grow even without acquisition." 