

# **Bicycle Sector of Pakistan**



**Small and Medium Enterprise Development Authority**  
GOVERNMENT OF PAKISTAN

# Bicycle Sector of Pakistan

## Summary

Pakistani bicycle market is struggling to establish itself due to smuggled bicycles coming from China and high raw material prices. There is no export presence of Pakistan in this sector and one player monopolizes the local market. For a new manufacturer to establish itself in this sector, they would need to concentrate on the fancy bicycle segment and can only flourish if they enter into a Joint Venture agreement with some internationally reputed firm. If bicycle imports from India are allowed, then it will be difficult for the local bicycle industry to survive.

## Objective

To increase the mobility of the local labor force along with increased sales tax revenue for the government through higher production in the local bicycle industry.

To determine the factors that are hindering export development in this sector and provide a solution.

## World Trend

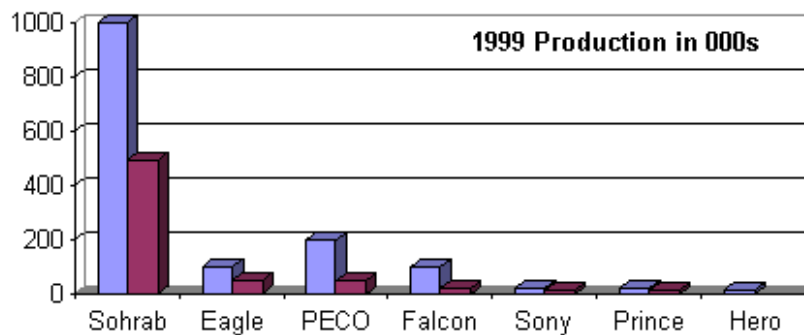
Year	Production (million per annum)	Year	Production (million per annum)	Average Production over Last Nine Years	
1950	11	1990	94	102	
1955	15	1991	100	Growth Rate over Nine Years	
1960	20	1992	103		
1965	21	1993	109		
1970	36	1994	107		
1975	43	1995	107		
1980	62	1996	99		
1985	79	1997	94		0%

The growth in of bicycle production over the past nine years has been 0%, indicating a stagnant and saturated world market. Key World Players The world bicycles export market in 1997 was US\$2.4 billion and Taiwan was the largest exporter with US\$ 860 million (37%), followed by China with 22%, Italy with 9% and Netherlands with 6% share of the export market.

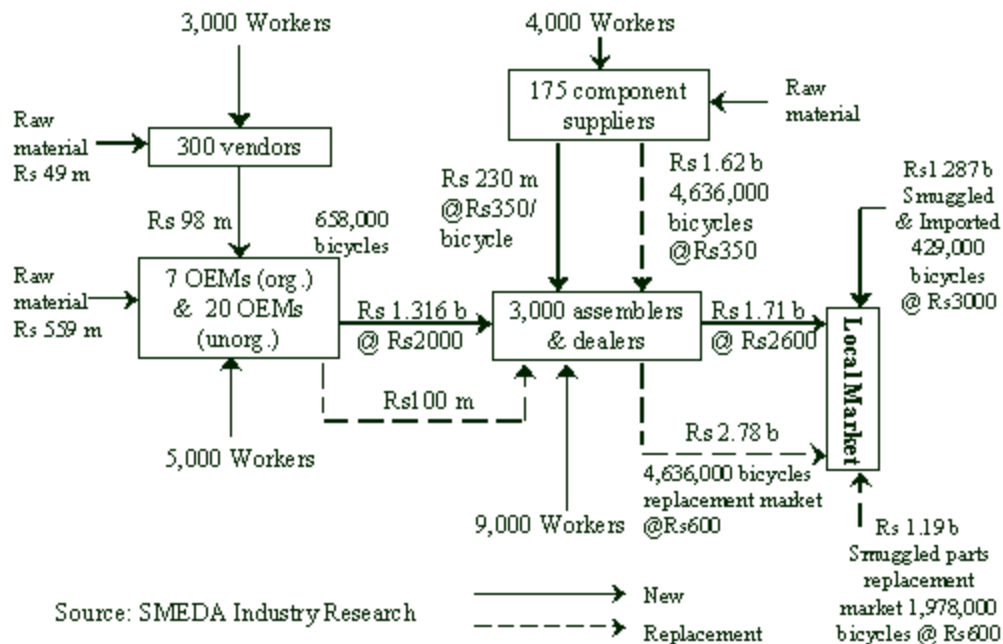
## Key World Markets

In 1997, USA was the largest importer of bicycles with US\$ 600 million (24%), followed by Germany, Japan and Hong Kong with 10%, 9%and 8% share of the bicycle import market respectively.

## Key Local Players/Stake Holders



## Value Chain



There are 300 bicycle vendors in Pakistan, employing 3000 workers. These vendors buy raw material worth Rs49 million and after value addition sell it on to the manufacturers for Rs98 million. The 300 vendors supply to 7 big Original Equipment Manufacturers (OEMs) and 20 unorganized OEMs (small firms). These OEMs employ a total of 5000 workers. The OEMs supply a further of Rs1.32 billion worth of new bicycles and Rs100 million worth replacement parts of bicycles to the retail assemblers/dealers/puncture shops. The retailers are supplied spare parts (including tires and tubes) through some 175 component manufacturer, employing 4000 workers in a market worth Rs230 million as new parts and Rs1.62 billion as the replacement market bicycles. There are some 3000 retailers/assemblers, employing 9000 people and cater to the Rs1.71 billion new bicycles demand and Rs2.78 billion replacement bicycle market. The annual foreign bicycle market is worth Rs1.29 million consisting of some 429,000 imported and smuggled bicycles. The foreign parts bicycle market is worth another Rs1.19 billion.

## **Current Exports and Potential**

In 1998-99, US\$11,000 worth of bicycles were exported from Pakistan for the first time but there remains an untapped potential of US\$ 3-4 million because of low capacity utilization in the bicycle industry.

## **Problems and Solutions**

- It will be difficult for new entrants into the bicycle segment unless they specialize in the fancy bicycle sector with an emphasis towards more high end bicycle and an export driven approach, preferably in a Joint Venture with a Taiwanese company.
- Although there exists a large domestic market for bicycles but that has been taken by smuggled bicycles coming mainly from China. The local production can increase by 50% if smuggling is checked.
- The export market for bicycle remains untapped due to the high price of raw material inputs which makes Pakistani bicycles expensive than their competitors and these can only come down if the raw material inputs are at the international levels.
- Regulations of State Bank of Pakistan and Central Board of Revenue makes exporters wary of exporting to developing countries with a high default factor. A change and shift towards the developing countries can increase exports of this non-traditional item.
- Sohrab monopolizes the local bicycle market and they are the only manufacturer who sell their product on advance payment while the rest of the industry has to sell its product on credit basis. They have to adopt an export-oriented approach for future survival.
- Overall the market scenario is going to change after 2005 when free imports and exports will be allowed. It seems that if Indian bicycles are imported, they will wipe out the Pakistani bicycle manufacturers with their low price.

## **Useful Links and Web sites**

The WWW Bike Lane	<a href="http://www.bikelane.com/">www.bikelane.com/</a>
Bicycle Parts	<a href="http://www.bicycleweb.com/parts.htm">www.bicycleweb.com/parts.htm</a>
International Bicycle Fund	<a href="http://www.ibike.org/">www.ibike.org/</a>
Taiwan Bicycle Net - Directory	<a href="http://www.bicyclenet.com.tw/">www.bicyclenet.com.tw/</a>
Bicycle Parts and Accessories Directory	<a href="http://www.bicyclesB2B.com/">www.bicyclesB2B.com/</a>
Taiwan Bicycle Exporter's Association	<a href="http://www.tbea.org/">www.tbea.org/</a>
Taiwan Bicycle Group Inc.	<a href="http://www.tbg.com.tw/">www.tbg.com.tw/</a>
Market Industry Report	<a href="http://www.cetra.org.tw/mycettra/tradekit/mydocument/bicycle.htm">www.cetra.org.tw/mycettra/tradekit/mydocument/bicycle.htm</a>