

HUFFY BICYCLES

A case study of an American company

In 1887, George Huffman bought the Davis Sewing Machine Company and moved the company to Dayton, Ohio. Near steel mills and rubber companies, the company could get raw materials quickly and cheaply. George Huffman found that there was also a market for bicycles. The first bicycle was made in 1892 and later in 1924, George's son, Horace Huffman, changed the company name to the Huffman Manufacturing Company. The bicycle division within the company thrived.

To expand its products, the Huffman Company made children's bicycles with rear training wheels and footsteps that was wildly popular and revolutionized children's bicycles. Bicycles made by Huffman were known as Huffy bikes and the name became trademarked. Later came more bicycles that were popular with Huffy—the Special Roadster, the Racer, the LaFrance, and the Streamliner. By 1960, the company was the third largest US manufacturer of bicycles. The company continued to create innovative and new types of bicycles for the next 30 years. One bicycle that was extremely popular with teens in the 1970s was the “banana” bike or “banana seat” bike. At its peak, Huffman Manufacturing sold 2 million bicycles per year. Early sellers of Huffy bikes were the Western Auto Stores and Firestone Stores. Bicycles were transported to stores by truck and railway.

By 1990, the company was in financial trouble. Mass production from competing Chinese companies was forcing the Huffman Company to lower its cost of bicycles. One contributing factor to Huffy's problem was that Wal-Mart, a massive seller of bicycles, drove bicycle prices down by buying from Chinese companies and demanding lower prices from U.S. competitors.

To compete in the market, Huffy closed its Ohio plant in 1998 where workers were making \$10.50 an hour. Huffy eventually moved the production plant to Mexico where workers made \$5 an hour. Huffy moved the company plant again to China where labor costs were only 25 cents an hour for Chinese workers. Still Huffy could not compete with cheaper made bicycles in the market.

In 2004, Huffy was forced to turn over its assets to Chinese creditors. After competing with cut-rate Chinese bicycles for years, Huffy essentially became a Chinese-owned company.

References:

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