

## **Economic Impact of Bicycling in Minnesota – Task 2: FINAL**

### **Introduction**

The purpose of this deliverable is to provide context about the bicycle industry in Minnesota and to improve the surveying strategy we use. Engaging with experts in the bicycling industry is an effective way gather relevant information, contacts, and insights. The UMN team conducted interviews, both in person and via phone, with bicycle industry firm managers. The result of those interviews are the following themes about the biking industry in Minnesota and insights for the project team related to conducting an effective survey of bicycle firms.

15 industry experts have been interviewed to provide their insights about the bicycle industry.

### **Key Themes about the Biking Industry in Minnesota**

#### *Theme 1: Passion for biking*

People in the biking industry are part of the biking industry because they love biking. The bicycling culture is an important part of being in the bicycling industry. People that make bike products are likely to buy bike products. This is an important aspect of the bike industry in Minnesota and appears to add value to those that participate.

Most important to this project, people's passion for biking extends to a general support for efforts that seek to enhance the accessibility, safety, and prevalence of biking in Minnesota. A recurring comment has been something like "I just want to see more people biking" or "I want to do things to help other catch the biking 'bug' ". It could be easy to take a cynical approach to such comments, but that would seem to be an error. The interest and passion seem to extend beyond a product and apply to a lifestyle interest. Tapping into this passion when possible will be important to the success of this project.

#### *Theme 2: Retail Trends and Marketplace*

The retail sector for bike products in Minnesota is competitive. Major retailers and sporting goods stores are dominant at the lower price points. The competition at the low price points is intense. One interviewee described the biking category among major retailers as "a race to the bottom". Meaning that all of the retailers are constrained by consumer demand are working to offer the lowest prices on bicycles, but must live with the tradeoffs that low price bicycles bring. One tradeoff is that lower price bikes also come with a lower profit margins, making them less appealing to sell. Discount department stores and sporting goods stores would like to sell higher profit margin bikes, however they are constrained by consumer demand for lower price points. Another tradeoff is that lower quality bikes don't always leave customers satisfied in the long run. Lower quality bikes are constructed with lower quality components and those

components will fail faster with use. When a low price and low quality bike breaks it's often less costly to purchase a new bike than to repair the broken. Discount department stores and sporting goods stores don't have the ability to repair broken bikes, so it leads to a poor situation for retailers and consumers.

Independent and multi-location bicycle shops specialize in higher quality and higher price bikes. They offer specialized services, knowledgeable staff, and repair services. Their bicycle product lines are driven by sales agreements with major bicycle manufacturers. Product distributors and manufacturers offer discounts for larger orders, so many small bike shops are limited to carrying one to two product lines. This is a limiting factor on the number of independent products they can offer as they might compete with a product line associated with a core supplier. Some custom bikes are available at independent retail shops, but most are purchased directly from custom bicycle builders.

### *Theme 3: Critical Firms*

Minnesota is home to two global bicycle product and equipment firms in Quality Bicycle Products and Park Tool. The importance of both firms to the Minnesota industry was always mentioned in the interviews conducted. Both firms have been mentioned in nearly every interview.

Quality Bicycle Products (QBP) was mentioned most often as an important firm in Minnesota. QBP is connected to retailers as a supplier and as a source of contacts, information, and advice. QBP is connected to component manufacturers as a distributor of their products.

Park Tool produces tools used in repairing bicycles. Their products are likely used by all of the bicycle shops that offer bicycle repair services.

### **Insights for Survey Questionnaire and Sampling Plan**

Interviewees were asked to provide feedback on a sample survey, survey methods, and a list of bicycle related businesses. Below are several of insights they provided and how those might affect our surveying plans.

#### *Insight #1: An online survey is preferred*

Interviewees universally requested an online survey as opposed to a paper survey. The ease of use was the key factor driving this request.

We will develop a sampling plan that utilizes online surveying methods. The survey will be designed and delivered using Qualtrics, an online survey tool available through the University of Minnesota.

*Insight #2: The incentive to complete the survey is to support biking in Minnesota and to provide decision makers with important accurate information.*

The wording of the survey, introduction emails, and any other communications should highlight the value that the project results will bring to the respondent and more importantly to bicycling in Minnesota. Monetary incentives, drawings, and other methods are often used to increase survey response rate, but in this project those will likely be less effective than a compelling connection to the value the survey results will bring to bicycling in Minnesota. The most important step we can take as an incentive is connecting this survey to the respondent's passion for bicycling.

The implication from this insight is that we will design our survey tools with this incentive in mind. We will highlight the importance of the project to biking in Minnesota at every opportunity possible.

*Insight #3: Importance of comfort, hybrid, and lifestyle bikes as a retail segment*

Comfort, hybrid, and lifestyle bikes are all a larger part of the bicycle retail segment in the Midwest than in other regions. For independent retailers, this category is likely the largest sales category. The Midwest is unique in this respect because in other parts of the country bicycle dealers sales come primarily from racing and mountain bikes.

The implication of this is that the survey will request revenue information about this retail segment.

*Insight #4: Willingness of bike industry contacts to assist with survey distribution*

People in the bicycling industry in Minnesota know each other and work together often. Utilizing the social connections among people in this industry will be an effective strategy for both encouraging participation and raising awareness of the project. Several respondents expressed a willingness to share the survey link and information with their networks via email and social media. This should be encouraged and supported because it will likely lead to greater participation in the survey than a request from an unknown person.

The implication of this insight for the project is that the UMN team should provide a template email to key industry contacts that they can send to their network. This email will briefly explain the project, provide the core value about participation (see insight #2), and provide the link to the survey.

*Insight #5: Survey's will get there best response in late January and early February*

Late January and early February will likely be an opportune time to survey bicycle retailers, manufacturers, and other related firms. It will be the least busy time of the year for many in the industry, which should translate to a better response rate.

### *Insight #6: Fat bikes are a small, but quickly growing category*

Fat tire bikes are a small, but growing retail category. This category is gaining in popularity. However, it might still be considered a niche product. This type of bike is primarily used for winter mountain biking and recreation. Fat bikes occupy a higher price point than traditional mountain bikes. There is growing competition among fat bike manufacturers which may have an impact on the price and quality of the existing product mix. New entrants into the manufacturing sector for this product (including at least one Minnesota based company) are working to put pressure on the profit margins that retailers and manufacturers get from each bike sale.

The implication for this project is that the survey will request revenue information about fat tire bikes, but expect that the overall revenue attributed to fat tire bike sales will be a small percentage of overall sales for most retailers.

### **Other Information Requested by TAP Members**

#### *Information about Women in Biking?*

This question came late in the interview process, but was posed to three interviewee's. The general consensus was that the number of women participating in cycling is growing and important. As a result, the draft questionnaire for the bike industry now has questions about the breakdown between men and women as employee's and as consumers.

Additionally, a recent article titled: "Initiatives in the Twin Cities are getting more women on bicycles" appeared in Minnpost. The article is a good description of the trends occurring in women's bike use and importance in the bike industry.

Link: <http://www.minnpost.com/line/2014/11/initiatives-twin-cities-are-getting-more-women-bicycles>

#### *Used Bike Market*

The used bike market is interesting because it is often connected to the bike repair industry. According to two interviewees many used bikes are in need of repair and upgraded components. Bike shops and online components dealers therefore benefit from this used market. Used bikes are sold in variety of places such as private sales, thrift shops, bike shops, and online via ebay, craigslist, and facebook. We are able to view the total number of bike listings in Craigslist, but not able to verify the number of sales or the final prices.

## **Interview Questions**

The following questions were used to guide interviews with bike industry contacts. The questions were not asked verbatim, but instead were used to guide a conversation.

- 1.) Is our list correct? Do you have a better one? Who are your suppliers?
- 2.) What's the best way for us to request information from the people in your industry?
- 3.) Tell me about who you sell to and who you buy from?
- 4.) Where is the MN Bike industry headed? New products, new markets, new customers, revenue +/-?
- 5.) Which Minnesota firms are critical to your success?
- 6.) What are the biggest barriers to growth?
- 7.) Other ideas? Let me know.
- 8.) Who are some people that I shouldn't miss a chance to interview about the Biking Industry in MN?

## **Completed Interviews:**

David Anderson - Owner  
Anderson Custom Bicycles, LLC

Dave Horstman - Owner  
The Bike Shop - Marshall, Minnesota

Paul - Marketing Director  
Park Tool

Bri Whitcraft - Marketing Director  
Dero Bike Rack Company

Brian Fluff - CEO  
Diversico Industries

Pat Sorenson - Owner & Bill Randen - General Manager  
Penn Cycle

Mike Vanderscheuren - Owner  
Banjo Brothers

Matt Reeve - Owner  
Donkey Label

Bill Dossett - Executive Director  
Nice Ride MN

Brendan Moore - Owner  
Wolftooth Components

Seth Nesselhuf – ACE Director  
Quality Bike Products

Reid Lutter – Owner  
Podiumwear Custom Sports Apparel

Josh Baird – Manager  
Recovery Bike Shop

Mike Schroden – Owner  
Revolution Cycle and Ski