

HEMISPHERES

executive secrets

Coasting strategy by Shimano and IDEO. Trek Lime Coasting bike by Trek



Courtesy of Trek

Cycle America

U.S. statistics

Number of cyclists
25 million

Number of noncyclists
160 million

Percentage of children
who biked to school in
1970 / more than 50
percent

Percentage of children
who biked to school in
2000 / 13 percent

Rail-trail mileage open
today / 13,489 miles

Rail-trail mileage in the
works / 14,247 miles

Allocation for bicycling
and walking paths
in the 2005 federal
transportation bill
\$4.5 billion

Sources: Shimano, Bikes
Belong, Rails-to-Trails
Conservancy

Geared to Grow

Biking is more than an exhausting business aimed mainly at fitness fans. With new insight and a new concept, component-maker Shimano hopes it has your number: a bicycle built for fun. / By Catherine Fredman

IN 2002, THE AMERICAN BICYCLING INDUSTRY was cranking. Lance Armstrong's comeback from cancer to dominate the Tour de France was inspiring thousands of bikers to ditch their old-fashioned clunkers and trade up to high-tech models costing \$5,000 and more. Few companies benefited more than Shimano.

The Intel of the bike industry, Shimano is a Japanese company that manufactures the crucial components in high-performance bicycles. Its shifters, cranks, and derailleurs propel the top models from Trek, Giant, Raleigh, and other brands. The more multithousand-dollar models sold—TCT Carbon/ZR 9000s, TCR C0s,

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and others—the bigger Shimano's bottom line. And at \$1.4 billion in 2005 sales, that bottom line is the biggest in the business.

But what would happen when Armstrong retired? A *Bicycling Magazine* survey had revealed a troubling trend: While the number of "enthusiasts" had more than tripled in the previous decade, the number of casual



Raleigh Coasting bike

Courtesy of Raleigh

bikers had dropped nearly 50 percent. “The total number was dying off,” says Dave Lawrence, the marketing manager for Shimano’s American bicycle components division. “We weren’t creating new customers.”

Research had shown that there were more than 160 million Americans currently not riding bikes—an enormous potential market. Why weren’t they cycling? And how could they be persuaded to get back in the saddle? The surprising answers inspired Shimano to design a new bicycle and try to shape the future of the bicycle industry.

Learning a New Language / Shimano knew it was expert at preaching to the converted—the cycling cognoscenti who had no qualms about wearing garish-colored, skintight shorts. But, recalls Shimano American project coordinator Shannon Bryant, it *didn’t* know how to start a conversation with newcomers.

The “interpreter” the company chose was Ideo, an innovation and design business based in Palo Alto, California. The decision to go with a company known for designing Amtrak’s Acela express train, Marriott’s TownePlace suites, and an ideal shopping cart initially raised a few eyebrows: Shimano didn’t want an object, after all; it wanted a solution.

Ideo’s unique research procedure convinced the doubters. Instead of hosting focus groups or sending out thousands of surveys, Ideo’s team of industrial anthropologists observed and questioned about 50 people in their homes during the course of their day. “We are good at understanding—at a more profound level than they can articulate—how they feel about a given area or topic,” says David Webster, the Ideo manager who directed the Shimano project. “We spend time getting them to show us the things they do for leisure, rather than sitting them in a room and saying, ‘Hey, why don’t you get on a bike?’”

The other deal-clincher was Ideo’s invitation to Shimano personnel to join the project team—literally. As part of this “radical collaboration,” Lawrence and another Shimano manager decamped from the corporate headquarters in Irvine, California, to Palo Alto for months at a time.

As self-confessed bicycle nerds, Webster, Lawrence, and the rest of the Ideo team knew they had to suspend judgment of their noncycling subjects. Nonetheless, they couldn’t help betting that the usual reasons—heaviness and laziness—were why Americans weren’t biking. As it

turned out, recalls Webster, “that wasn’t the case.”

In fact, the findings were unexpected. “It was one of those ‘Eureka!’ moments,” says Bryant. “We had never thought of it that way.” Adds Lawrence, “That’s why the process with Ideo was so important. We got to the essence of why people didn’t ride.” The most surprising insight was not that people didn’t like bicycling. On the contrary, they loved it. Or, rather, they loved their memory of it. “Everyone rode a bike as a kid, and we didn’t have a single interview where they had a bad memory,” says Lawrence. “Every single person had a smile.”

The strand that all the subjects shared was a memory of a simple pleasure, an elemental enjoyment. “That was the biggest insight, because that is at odds with anything you could access within cycling at the moment,” says Webster. “If someone walks into a bike shop with that image in mind, it’s immediately contradicted. Usually, there will be a man in the shop who wants to talk about technology and performance and give you loads of options about gears that you don’t understand.” As a result, Webster says, “these people were just turned off by cycling. They weren’t seeing a way to enjoy a bike the way they used to.”

With that revelation, the research team stopped viewing its market the way it used to. Although the team was disappointed that people just wanted to putter around rather than become fitness freaks, the group realized it had tapped into a potential gold mine. Lawrence recalls thinking, “Wow, that opens up a much bigger market than we had thought.”

Back to the Future / But how do you reach a market that emphatically rejects what you’ve been offering? The initial answer: Design a new bicycle—one that looks to the past to change the industry’s future.

The marketing team set out to build a prototype bike that would epitomize what the research suggested people wanted: something simple and affordable, something traditional yet innovative, something designed less for fitness and more for fun.

There was just one glitch: Shimano doesn't sell bikes; it sells components. To realize its vision of bringing cycling back to the masses who had abandoned it, Shimano would have to convince the original equipment manufacturers (OEMs) that this was no mere marketing gimmick. "We didn't want it perceived as Shimano thinking up a new thing and forcing it on the industry," says Lawrence.

The team set out to build a prototype that would epitomize what the research suggested people wanted: something simple, comfortable, affordable, and always ready to use; something traditional yet innovative; something designed less for fitness and more for fun.

Any and all ideas were considered. An attachment enabling you to Velcro the bike to your car. Built-in coffee-cup holders on the handlebars. Built-in reflecting lights on the tires. A built-in flower vase. A bell with electronic ring tones that could be downloaded and customized. At one point, Webster recalls, "we were riding in the alley behind our office on a bicycle with a steering wheel."

The finished Coasting bike, as the new model was called, doesn't look at all outré or even particularly innovative. The handlebars are high enough to enable the rider

to sit upright, and the crossbar is low enough to let the rider step naturally into the seat. On the whole, it's a bike that blends into the background.

The difference is in the details. All the mechanics—the gear and brake cables, the drive train—are completely enclosed. You don't see them and don't have to wear trouser clips or worry about chain grease on your leg. The three-speed shift system is powered by a dynamo in the front-wheel hub that senses your speed and automatically shifts up or down and defaults to first gear whenever you stop. The brakes are the same foot-operated ones—just pedal backward—that were standard on bikes everyone had as kids. The whole thing weighs less than 30 pounds and costs less than \$400.

Shimano presented the prototype to Raleigh, Giant, and Trek in late 2005 and encouraged them to tailor it to their own company style. "You have to think of design as a tool to influence rather than control," says Webster. "We had to provide the OEMs with a reference design but then let them build their own versions."

Raleigh, for instance, designed a front rack that can hold a pannier or basket for

a small amount of groceries. Trek created a peel-on color kit in six shades and a pocket in the seat for storing a cell phone, wallet, sunglasses, and lipstick. Giant added a cell phone holder, an MP3 holder, a front handlebar bag with a headlight, and a rack in the back equipped with a foam-protected attaché case for a laptop and a file folder.

Meanwhile, word of the Coasting bike was spreading among dealers. "We were being asked about this project before the bike hit the street," says Chris Speyer, the director of group product development for Raleigh America. And when dealers finally got a chance to test the prototypes, the OEMs knew they had a potential winner. "People were riding them around in the hall at TrekWorld, and they all got off smiling," says Chad Price, the pavement-bike product manager for Trek Bicycle.

Expanding the Experience / Designing the product was just the first step in revitalizing the bicycle industry. "When we design, we try to think not just about the object, but also about the experience the object enables," says Webster. The Coasting momentum would come to a



Giant Suede Coasting DX bike

screaming halt unless the retail experience was also redesigned.

Ideo equipped team members with hidden cameras and had them follow ordinary people into bike shops. The results were revealing. Consumers often were confused by the myriad offerings: road bikes, racing bikes, hybrid bikes, comfort bikes, recumbent bikes, and mountain bikes, just to name some basic categories. Many were intimidated by the staff as well. "It's scary to see this shaved-leg, extremely fit cycling guru who talks in jargon and technical terms and say, 'I just want a bike,'" says Ray Keener, the president of Growth Cycle, a producer of training programs for the bicycle industry based in Boulder, Colorado.

The typical reaction? "They run out of the store screaming," says Jay Graves, who owns The Bike Gallery, the largest independent dealer in Portland, Oregon.

To give bike aficionados a taste of their own medicine, the Coasting team gave OEM representatives and a select group of dealers an assignment: Go to a cosmetics counter and buy \$50 worth of products. The memory of facing down a battery of face creams and hair gels still makes Trek's Price cringe. "I was genuinely uncomfortable. I didn't know what to ask for or where to start," he says. "It was exactly the same feeling I saw in the people in the Ideo videos—'I have no idea what I'm doing here.'"

Obviously, not every bicycle dealer has the time or the resources to send sales staff in search of high-end grooming products.

But Shimano aims to make dealers more sympathetic to—or at least aware of—the needs of noncyclists through online training and DVDs. If sales staff can transfer their enthusiasm from carbon composites to the wider world of cycling, the hypothesis goes, then they can speak the same language as Coasting customers. "You're not selling equipment; you're selling the sport of cycling," explains Keener, whose Growth Cycle created the training program. "The gear is a means to an end."

Bikes and Ice Cream / The final and perhaps most crucial component of the Coasting campaign will be ensuring that customers have a good experience riding the bike. Safety was an enormous concern of the people interviewed by the Coasting team. "They'd say, 'I don't care what the bike is like. If you expect me to get on a road with those crazy SUVs, you must be kidding,'" says Webster.

Fortunately, the number of protected pathways for bicyclists and pedestrians has multiplied in recent years. The Rails-to-Trails Conservancy recently celebrated its 20th anniversary with nearly 14,000 miles of rail-trail paths completed and another 14,000 miles in the works. (Rail trails are former railway lines that have been converted to paths for recreation.) More and more cities are adding greenways and designated safe routes to schools. "Had we tried 10 years ago to do a program like Coasting, there wouldn't have been enough trails," says Shimano's Bryant. "Today, there are so many more safe places to ride."

Shimano's next push is to inform casual cyclists of the routes' existence. A Web site, coasting.com, will serve as a community bulletin board with information about routes and rides in 15 cities around the U.S. Authorized Coasting dealers are required to submit at least one Coasting-specific activity in their area.

Portland is one of the cities chosen for the initial Coasting campaign, kicking off this month. Jay Graves has plenty of ideas for attracting customers, including providing Coasting bikes for monthly First Thursday tours of the city's art gallery district or holding demo days when people can stop by for a free tryout. "On other days, we'll do a bakery tour or an Audubon tour or an ice cream shop tour on Coasting bikes," he says. "People think 'bikes and ice cream,' and they're in heaven."

Will the Coasting campaign persuade 160 million noncycling Americans to start pedaling and relive their childhood dreams? With Armstrong's retirement from competition, this may be the best hope for the American bicycle industry not just to survive but also to thrive. OEMs are optimistic. The Coasting model, says Price, "looks like it will be our No. 1 bike by volume by the end of 2007."

Catherine Fredman *has collaborated on five best-selling business books, including Use the News with Maria Bartiromo and Direct From Dell with Michael Dell.*