

Bicycle Retailer

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A N D I N D U S T R Y N E W S

TAIPEI INTERNATIONAL CYCLE SHOW

Taiwan manufacturers under pressure heading into Taipei show

By Marc Sani

TAIPEI, Taiwan — The numbers are sobering. Last year, Taiwan's bicycle exports to the U.S. market plunged 27.6 percent, and the overall dollar value dropped 27 percent.

Europe, Taiwan's No. 1 export market, also reported a similar slide in demand with exports off some 26 percent through August of last year. These are tough times for Taiwan's bicycle manufacturers.

As this year's Taipei International Cycle Show opens its doors to thousands of visitors, worries about the future of Taiwan's overseas markets will dominate discussions during the four-day show.

Weak demand throughout the more affluent West, where Taiwan-made bicycles sell best, is spotlighted in Shimano's 2016 fiscal year report — bicycle-related sales slumped 17.4 percent and operating income fell 27.5 percent. A significant portion of those missing sales would have been spec'd on bicycles made in Taiwan.

A variety of interviews with industry

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Utah public lands outcry shakes up Interbike planning

With Salt Lake City off the table, organizers consider new locations for 2018 show.

By Doug McClellan

SAN JUAN CAPISTRANO, Calif. — After withdrawing consideration of Salt Lake City as a potential site for Interbike, show organizers continue to look at such familiar venues as Denver, Anaheim, California, Las Vegas and Indianapolis.

Wait ... Indianapolis?

Interbike vice president Pat Hus said the Indiana state capital is on the shortlist of potential host cities, starting in 2018, now that Salt Lake City, which had been a leading contender, has been scratched off.

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SPECIAL REPORT:

Service on the go

This report on Velofix is the first of a two-part series on North American mobile bike shop/service franchises. In our April 1 issue, BRAIN checks in with Beeline Bikes and its franchisees.

Velofix franchisees turn corner toward growth

By Steve Frothingham

FORT COLLINS, Colo. — Trent Newcomer had a feeling he was on the right track with his Velofix franchise when he spoke with a woman at a bank where he was opening an account for his new business. When Newcomer told her he was opening a mobile bike repair franchise, she got excited. She said she had bikes that needed work, but carrying them to a shop was a hassle, and she was too embarrassed to bring a bike with a flat tire into a bike shop.

Here's the kicker: The bank where they had the conversation is in the same shopping center as one

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Velofix

of the largest bike shops in the area. On Colorado's Front Range, there is a disproportionate number of high-end enthusiasts and racers, and Newcomer has developed relationships with them, even sponsoring some pro triathletes. But the bank conversation convinced him that mobile repair could reach other parts of the market that some bike shops are currently missing.

Newcomer, a veterinarian and a bike enthusiast, owns two Velofix vans, one operating in the Boulder/Fort Collins area and another in part of Denver. He began operating in late February 2016 and said he was looking forward to seeing year-over-year revenue numbers this spring. Although winter was slow, and somewhat painful as he paid two van operators' salaries with little revenue coming in, he said everything was pointing to growth in the second year.

"There have been dramatic changes. When we started, no one had heard of Velofix. The concept was new to most people. That really seemed to change over last year. Some of that is people just seeing the van. The van is our best marketing. It's a rolling billboard."

Since its founding in Vancouver, British Columbia, in 2012, Velofix has exploded. It now has about 75 vans operating in North America, and more than 100 franchises sold. The company hopes to have sold 150 franchises in North America by the end of the year and is preparing to sell franchises in Europe, possibly starting in the U.K. as soon as this year.

WHO'S SIGNING UP?

Velofix was initially seen by many, including its founders, as a way for bike shop managers and other industry insiders to build a business of their own. It hasn't quite gone that way, but it hasn't gone the way of many retail franchises, either. Many retail franchises are owned — sometimes by the dozen — by investors with little interest in or passion for, say, sandwich making, commercial cleaning or pest control.

Instead, the more typical Velofix franchise owner is Newcomer, an enthusiast who worked in a shop years ago but primarily sees Velofix as an investment — although he's far from a silent investor. His two vans are operated by full-time employees, while Newcomer has scaled back his responsibilities at his veterinary clinic to devote more time to managing Velofix.

"I'm not a mechanic, but I did help out at weekend events and things," he said.

Velofix CEO Chris Guillemet said he has been gratified to see that most Velofix franchisees (the company prefers to call them partners) are bike enthusiasts, even if they hire experienced mechanics and retail managers to run the vans.

Currently about 45 percent of Velofix vans are owner operated, Guillemet said, and he expects to see that number decline as the business matures. He said most franchise sellers get inquiries from hundreds of tire kickers, investors who are looking at a dozen or more options.

"We don't get a lot of that. By the time people make requests to us [for franchise information], they know who we are and what we do."

Guillemet said Velofix is now in a position to say no to many potential franchisees if they don't seem right for the job. And the operation also serves as matchmaker, connecting investors with managers and even mechanics. The Velofix corporate office helped connect Newcomer with one of his first van operators (who later left, but recommended his replacement).



Adam Gipril works on one of two Velofix vans owned by investor Trent Newcomer along Colorado's Front Range.

Matchmaking also led to Velofix's single largest deal to date.

Al Watts has had a successful career in transportation logistics and as a commercial real estate broker and consultant. A bike enthusiast, he learned about Velofix at the Tour of Palm Springs last year. He poked around and gathered information, but at first he didn't see it as a compelling investment. This was partly because of his lack of experience in the bike industry, but also because mobile bike repair didn't strike him at the time as a real industry game changer with potential for big returns.

"We didn't talk for a number of months," he said. "Then they got in touch and said, 'Have you seen what we are doing with Velofix Direct?' And I saw that manufacturers are now selling bikes direct to consumers and we have the opportunity to get people bikes they didn't have access to before. That's the kind of thing that got me interested in this. I saw it wasn't tied to the old ways of the bike business."

Meanwhile, bike industry veteran Paul Schoening, a fellow Minneapolis-area resident, was running his own mobile repair business and was comparing various franchise options. He had been in touch with Velofix, who connected him with Watts.

"We were perfect for each other," Watts said with a laugh. "We like to say it was like we both swiped right."

They partnered to buy all the Minnesota franchise rights and began operations this winter in Minneapolis, with plans to expand outside the city in coming years.

Watts thinks big. "I didn't have a lot of interest in having just one van," he said.

Velofix

Founded: 2012

Number of vans operating: about 75

Number of franchises sold: over 100

Partnerships: Velofix Direct brands include Niner and Yeti (both in Canada only), BH, Cleary, Eddy Merckx Cycles, Elby, Ellsworth, EVO, Franco, Pure Cycle, Spot, Turner, Van Dessel and Volata. Velofix also has agreements with Amazon and sales agreements with brands including Shimano, SRAM, FSA, Stages Cycling power meters and GU Energy nutrition.

Owners: Founders Chris Guillemet, Boris Martin and Davide Xaus, along with Jim Treliving, who invested after the founders appeared on the "Dragon's Den" TV show (Canada's "Shark Tank") in 2014; and Charles Chang of Lyra Growth Partners

STILL EARLY GOING

It's hard to judge how individual franchisees are faring with Velofix. The company does not release same-store sales trends, although Guillemet said the company's 300 percent revenue increase in 2016 was partly due to retail sales, since franchisees pay a royalty to Velofix.

"The reality is a franchise system is only as strong as the partners that are out there. It's a royalty-based business, so if guys aren't able to pay their bills, they aren't paying me a royalty, and that's critical for us," he said.

"Most of our partners are still in launch mode, and it's like any other business when you launch: You have to create and establish a business, reach out and connect to the community. The good thing is there is low overhead, especially for owner-operators, so that helps give people time to get ramped up," Guillemet said.

Franchise owners including Newcomer and Watts said the Velofix Direct program has the greatest potential to bring them profits.

Under the program, consumers can order bikes direct from several bike brands and have the bikes assembled and delivered by Velofix, which gets a commission. While the commission is less than a store's margin, it can be substantial on an expensive bike, and there is no inventory cost. The van operators establish a relationship with the customer and the opportunity to make add-on sales.

If Velofix Direct takes off, it could increase the operation's average transaction of \$220 dramatically, Guillemet and others said.

"That is where the revenue game changing is going to happen, as more and more brands join Velofix Direct," Guillemet said.

The program is also a franchise sales tool, offering potential partners something they couldn't have if they simply bought a van and opened up their own mobile repair business.

Guillemet said Velofix is in talks with Canyon about joining the program when the consumer-direct brand enters the U.S. market in the third quarter of the year.

"We think we could be a great delivery partner for them," he said with a chuckle. "In today's market, one bike brand is not a game changer, but they are obviously coming in as a premium brand and it will be interesting to see what develops." **BRAIN**