

INTO THE RIDE #55

Kit Bikes

by Randy Schlitter



On forums and here we have had discussions about lower-cost recumbents, and expounded upon the many barriers in the way of getting cost down. The consumer expects a lot these days. In this instant-gratification society are there at least a few people who savor building things? What about those who pride themselves on their handy-work? What about the bike mechanic in all of us, who feels that surge of pride after doing meaningful maintenance on a bicycle? Is there a market for kit bikes, and what would a kit bike be?

In a way we have always offered a kit bike, in the form of a frame set. The sales of frame sets are typically brisk in the higher end bikes, like the V3 Ti or Stratus XP Ti. It stands to reason, since these are bikes that owners often tailor to a specific component profile. We have no numbers as to how many of these are owner assembled. A kit bike for custom builders is probably not a viable venture, but what about the guy willing to invest the sweat equity if it meant a reduction cost?

Cost reduction is a real possibility in the kit bike scenario. Reduced labor and packing cost are the major areas for savings. Even the shipping cost could be reduced and certainly a chance for less shipping damage.

How a kit bike is marketed would also impact the price. If offered only as an online product, the bike would instantly gain value over LBS offerings. If offered by a local shop in conjunction with the same exact model in ride-away form, the savings would be assembly labor and some shipping cost. The most attractive package is an online offering with prices that are well below MSRP for similar bike shop offerings. How does this help out the LBS? On the one hand the LBS stands to benefit when "the less handy kit bike owner" returns the messed up assemblage and pays dearly for the bike to be assembled. On the other hand if the LBS is vending the online offering nationwide, he stands to gain another source of cash flow. The latter has some exciting implications, where the LBS through cooperation with manufacturers is actually supported in offering products nation or even world wide. Bike shops are being constantly threatened by the hordes of online vendors already pushing bike products in front of the consumers at discount prices. Why not empower the shops with the same tools and gain fiscal survivability, so we the consumer can have the best of both worlds? But what would motivate a

consumer to buy any online product from a local bike shop? It could be a number of reasons, but let me compare this concept to one that is alive and working in the radio-controlled model plane industry.

The RC business a couple of decades ago was nothing like it is today. There were a few local shops in most major cities, and even in some small towns. Most all were run by people passionate about the hobby and wanting to make a living at it. Most all struggled with staying in business, and before the internet they were fading fast. The poor consumer who wanted to shop for RC products had only a couple of mail order choices, and few places to actually go and see product. It all changed with the internet (li-poly batteries, brushless motors, and micro electronics helped too).

The few that survived saw the internet as a great tool to market, since most product was easy to ship, and builder-assembled, and vendors offered free technical support. A good hobby shop suddenly was in the position of offering several lines of product over the net, and fast becoming a dual functioning business: mail order and walk-in sales. The local shops could actually compete against the mail order catalog houses. Consumers like me just getting into the hobby in the last 4 years have seen an explosion of product and availability; in fact, there is now a local shop adding product to their store.

Several things attract me to a particular online hobby shop: Word of mouth, availability, value, service, and access to expertise. That last one is particularly important. When a product can be technical the consumer needs a solid connection to wade through the mystery. Without that I would not have ventured into the hobby. What I have learned is a deep appreciation for those shops who still offer walk-in service. Perhaps the most important asset of online sales supported by a local bike shop could be the appreciation it builds in the average consumer for the product and the service.

In order for a kit bike to be a success there has to be a convincing argument that the average person can correctly and safely assemble it. This could come in the form of a very concise DVD, online manuals and videos, 800-numbered tech service, FAQ's and owner forums. With our experience with kit planes, creating a kit bike and supporting it would seem a walk in the park. So if we offered a kit bike, what would it look like?

The frame would come painted, decaled, with headset, and BB installed. All other parts would come in original packing where applicable, the chain cut to length, the cable housings would be cut to length, and the cables in individual packs. You would assemble the bike using the provided tool set, and have to improvise a stand. It would take an average of about 4 hours if you stay on task, and stretching to 6 for the more timid. The estimated savings over a bike off the shop floor could be as much as 20% below MSRP. This is based off the labor savings being passed on by the factory.

In a really high volume world of kit bikes a cornucopia of choices could be offered. The online shopper chooses from a menu of options and tailors not only the parts but the price. In effect you could have very few bikes alike and with little impact to the manufacturing process, as long as the core of the bike remains the same. It becomes the logistic problem of stocking and sorting, and even that could be handled by a network of vendors drop-shipping to the consumer, allowing the frame originator to avoid having to stock any items other than the parts specific to the model. A buyer could expect packages arriving from six or more different sources, a little hassle, but in the end more savings.

Of course the idea of a kit bike is just that, an idea. It is more useful as a model to study some "what ifs" in the constant push to create more value and users in this niche market. As discussed last month the quest for a lower cost bike is something we are constantly looking at. It is not that we are overpriced and undervalued in our current line, but the sincere belief if price is the major aspect limiting access to this sport, then ways of offering access should be sought.

The example of what a shift in marketing did to the world of RC planes does make one wonder about some of the “what ifs” in the recumbent bike market. Such a shift will come in time; it could be something as simple as Sun Cycles making a deal with Wal-Mart, and the new fad would be the EZ-1. Some of my fellow manufacturers are quite happy with recumbents being a niche market. It is peaceful here; we still talk among each other, and do not undermine each other (too much). Once critical mass is reached, it is feared some will be swallowed by the big boys (whoever they are), and the really good stuff will be pushed aside for mass-merchandising. But the entire opposite is what really happens. People try the cheap stuff and if they like the taste they come looking for the better product. At least 10 out of every 1000 who would try a low-cost bent would come looking for another one of better quality or higher performance. That is already proven in the amount of “move up” sales we do each year.

As to the fate of kit bikes, or where the bent business ends up I can only guess. Even with over 30 years in, it remains interesting, viable, and worth the effort - always growing and changing. In the meantime ride safe and stay into the ride!

INTO THE RIDE

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