

# '100 on the way to 500'

Pedego's CEO wants to make the company the Harley-Davidson of e-bikes.

By Doug McClellan

FOUNTAIN VALLEY, Calif. — "Retail isn't going away. Old retail is going away."

So says Don DiCostanzo, CEO and co-founder of Pedego Electric Bikes — one of the fastest growing, and least traditional, bike brands in the business.



Pedego CEO and co-founder Don DiCostanzo

While mainstream brands tie themselves in knots trying to figure out how to sell online without causing their retailers to revolt, Pedego does few Internet sales.

The number of traditional IBDs continues to shrink year after year, but Pedego rolls out new brick-and-mortar retail stores as fast as it can. This month, the company reaches a milestone with the opening of its 100th Pedego retail store, in Simsbury, Connecticut (see accompanying story on this page).

"We're 100 on our way to 500," DiCostanzo said. Only one store has failed, and he expects to reach 120 stores by year's end.

And while overall bike sales are suffering a sharp downturn, Pedego is booming. DiCostanzo said 2017 sales through May were up by 45 percent year over year, and may well hit 50 percent by the end of the year. Pedego, he said, should hit \$20 million in sales this year. He claims Pedego sells more e-bikes in the U.S. than Cannondale, Specialized, Felt and Trek combined.

**TESLA, NOT TREK.** While it may be in the bike industry, Pedego is not of the bike industry. DiCostanzo and co-founder Terry Sherry — college friends who were the best men at each other's weddings — came from other industries. For 22 years, DiCostanzo was president of Wynn Oil Co., a supplier of specialty chemicals for the automotive industry with sales of more than \$200 million.

Sherry and DiCostanzo launched Pedego in 2008 with a line of brightly colored electric beach cruisers.

When he talks about the business, DiCostanzo cites Apple, Harley-Davidson and Tesla as role models — not Trek, Specialized and Giant.

When he talks about Pedego's bikes, he has little interest in the kind of technical specs that send other industry executives into a tizzy.

Pedego bikes all sport utilitarian rear hub drives, not sexy mid-drive motors. They go with the twist of a throttle, so riders don't have to pedal if they don't want to (all have pedal-assist modes and can also be pedaled without power if necessary). They come in sometimes startling colors, like shocking pink and lime green.

There's not a lick of carbon fiber to be found.

"We admit we're not bike guys," DiCostanzo said.

What he is, is a marketing guy, and Pedego is focused on its primary market: aging Americans, which DiCostanzo said account for more than 90 percent of sales. The typical Pedego buyer is a man or woman — and often a couple — in their 50s, 60s or beyond.

"Our market is the baby boomer. We dominate that market," he said. "If I were a competitor I would find another market to go after. They're not going to dominate the baby boomer market because we're not going to let them."

Many Pedego customers are not regular cyclists and may not have been on a bike in decades. So instead of

selling the lightest this or the strongest that, Pedego sells the experience. It's no accident that one of the most visible words in Pedego's marketing is "fun."

**THE HARLEY OF E-BIKES?** DiCostanzo often says his goal is to build Pedego into the brand that consumers think of when they think of electric bikes — just as Amazon is top of mind for online shopping, Harley-Davidson for motorcycles, or Tesla for electric cars. (He's a big Tesla fan — he is on his third and has two more on order.)

"We're gunning now for nothing less than being the dominant market player and having more than 50 percent market share in the electric bike category," he said. "We're still in the early adopter stage with these bikes, and there's nobody with a brand name that's synonymous with electric bikes. If anybody does, we do."

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## Pedego's 100th dealer was an early convert to e-bikes

SIMSBURY, Conn. — As the owners of Pedego's 100th retail store, which was expected to have its soft opening this month, Mike and Rachel Wolf are overnight symbols of the e-bike brand's unconventional business model.

But the Wolfs are no overnight sensations. Unlike most Pedego retailers, they are bike industry veterans.

In fact, Mike Wolf, 78, is one of the country's longest-serving independent bike dealers. He got his start in the bike business at the age of 13, so he can claim to have 65 years in the industry.

The Wolfs, who at one time owned eight bike stores, had scaled back to two — Bloomfield Bicycle & Repair Shop in Bloomfield, Connecticut, and the Bicycle Cellar in Simsbury. The Bicycle Cellar is the newer store; it's been around for only 44 years.

The Pedego Simsbury store is just a few feet from Bicycle Cellar and is near two popular biking trails, the Farmington Canal Heritage Trail and Farmington River Trail.

Unlike most IBDs, Mike Wolf has been serious about e-bikes for the past 14 years — before Pedego existed.

He started with the first Giant and Schwinn e-bikes. Today, his Bloomfield location carries more than a dozen e-bike brands, including Haibike, Easy Motion, EZ Pedaler, Raleigh, iZip and Pedego.

Bloomfield Bikes is one of the country's biggest e-bike retailers because Wolf believes in going all in. He estimated there were 70 to 80 e-bikes on the sales floor, compared with about 150 conventional bikes.

"I made a commitment to the electric bike. I'm not using the electric bike as an accessory to my regular bicycle line," Wolf said.

Pedego is one of his best-selling e-bike brands, and Wolf said he "finally succumbed" to Pedego CEO Don DiCostanzo's entreaties that he open a Pedego-only store.

Wolf said Pedego's advertising and marketing efforts go far beyond anything he's ever seen in the bike industry. "I've never run into anybody like Don. He promotes," Wolf said. "If you go to the toilet, you'll see



Veteran bike retailers Mike and Rachel Wolf are opening Pedego's 100th store.

a Pedego sign up there."

He is also impressed with Pedego's investment in replacement parts. DiCostanzo said Pedego maintains an inventory of more than \$1 million in spare parts and stocks every component for every Pedego bike ever sold.

Wolf says he is also focused on margins and won't accept any bike model that doesn't offer at least a 40 percent margin.

"It costs me 35 to 36 percent to open up the doors," he said. "If you're not getting 40-plus points then you're crazy."

That, he added, is why he doesn't carry Trek e-bikes, even though he is one of the brand's biggest retailers in Connecticut. The margins are too low.

Wolf encourages other IBDs to invest in e-bikes, but says they can't just dabble in them.

"I tell these guys, if you do it you've got to do it right. You can't bring two or three pieces in," Wolf said. "You've got to bring in, minimum, 15 to 20 bikes."

While e-bikes have been good business, for Wolf they are also personal. He has lost 54 pounds over a year and a half by riding an e-bike every morning.

"I love the electric bike because it's bringing back the baby boomers who really want the exercise and really love their bike riding but can't make the hills anymore," Wolf said. "It sounds a little corny, but this is bringing our youth back." —Doug McClellan

## ELECTRIC BIKE REPORT

# Well ... how did I get here?

Three Pedego retailers draw on life experiences, not bike experience.

By Doug McClellan

**K**athy Puryear and her husband, Bill, were toasting her recent retirement from teaching elementary school. Howard Ickes and his wife were playing golf and traveling the world after building, and selling, a successful kitchen appliance business. Air Force Col. Aaron Maynard, stationed in London, was preparing to accept a new assignment in Germany.

Today, they all own successful Pedego e-bike stores — something none of them envisioned themselves doing until it happened. Like the Talking Heads song, they may ask themselves, “Well ... how did I get here?” About the only thing these three have in common is that they knew almost nothing about the bike industry before they became bike retailers.

**BETTER THAN REFRIGERATORS.** “I’d rather sell two Pedego bikes than play golf and get a hole-in-one,” said Ickes, whose store sits in an out-of-the-way industrial complex in Henderson, Nevada, outside of Las Vegas.

Unlike the others, Ickes knows business and he knows sales, although he didn’t know much about bikes. After starting an air conditioning business, Ickes branched into kitchen appliances and built one of the biggest distributorships in Las Vegas.

“Thirty years later, our volume was \$18 million. I sold the company at the top of the building market here in 2001,” he said.

He and his wife bought a second home in San Diego, where they happened upon some Pedegos at a farmer’s market. They bought a pair and liked them so

much he decided to become a Pedego retailer.

Ickes, 77, didn’t need the money, but after 10 years of retirement he was itching for a new challenge. As a seasoned business owner, however, he didn’t take Pedego’s promises at face value.

Instead, he spent the first year ordering cautiously. He researched other e-bike brands and declined to invest in a website or social media marketing. His store didn’t even offer accessories.

“Normally, manufacturers check on new dealers or distributors and put them on hold for a year or so to make sure they are worthy of handling the brand. In my case it was just the opposite,” Ickes said.

At his first Pedego dealer meeting, Ickes said he told co-founders Don DiCostanzo and Terry Sherry, “I had you guys on probation. I’m here to tell you that you passed with flying colors, and now I’m ready to go all-in.”

He did. The Henderson store is what Ickes calls a “destination business” — customers don’t just happen upon it, so Ickes does extensive marketing to get them there.

With more than 12,000 square feet, Ickes has created a space to overcome some of the challenges of its Las Vegas location. There’s an indoor track for test rides, and a “simulator” where customers can put a Pedego bike through its paces.

“Right now, it’s 115 degrees here,” he said in a recent interview. “When it’s hotter than blazes outside, people can come into this air-conditioned room, sit on the simulator and do everything that they can do on the trail.”

He typically keeps 40 to 50 bikes on the floor, which includes a rental fleet.

He is a relentless marketer and, with the help of his Mercedes utility van, goes to farmer’s markets, golf tournaments, senior centers — anywhere he can.

“We go to show after show after show. Any time there’s a craft show or any kind of show at a retirement center we go to those,” he said. His store pays particular attention to retirement communities like Sun City Anthem.

Does he get the same kick out of selling bikes that he did from selling kitchen appliances?

“Not at all,” Ickes replied. “It’s 100 times more. This is fun for me.”

He added with a chuckle, “I make so damn many people happy it’s incredible.”

**A BIKE SHOP FOR NON-CYCLISTS.** Maynard, the retired Air Force colonel, took a more circuitous route to owning a Pedego store. While stationed in Germany, he was assigned to a post at the U.S. Embassy in the United Kingdom. Maynard knew he didn’t want to drive a car in London traffic but couldn’t bring himself to shell out some \$3,500 for an annual transit pass.

Instead, he decided to buy an e-bike. He searched online for a commuting bike and Pedego popped up. After doing some research, reading reviews and watching a couple of videos, he ordered a Pedego City Commuter sight unseen.

Months later, a crate arrived, after the State Department’s mailing center had repackaged the shipment. “I received this package in London — this giant wooden box wrapped in burlap like it was carrying a circus animal. I cracked it open and there was this Pedego bike.”

But the rear wheel was so badly bent it couldn’t be repaired. And since it incorporated the hub motor and other electrical components, he couldn’t replace it with



After she retired as an elementary school teacher, Kathy Puryear found herself opening a Pedego store in Scottsdale, Arizona, with her husband, Bill.



Retired Air Force Col. Aaron Maynard says business in Myrtle Beach, South Carolina, is booming.

an off-the-shelf wheel from a local bike shop.

Frustrated, Maynard called Pedego’s headquarters in California, and the young woman who answered the phone promised to send a replacement wheel at no charge. It arrived a few days later.

“This is probably why I am a Pedego retailer today,” Maynard said. “I was so shocked and amazed and pleased by the level of customer service that this company went through to make sure that I was satisfied that it just stuck with me.”

Maynard bought three more Pedegos — one for his wife and two for their American neighbors, who also worked at the embassy.

He didn’t realize that the helpful young woman at Pedego, Ashley, was Terry Sherry’s daughter. The two later stopped in London en route to Eurobike, and Maynard took them riding around London — while Sherry encouraged him to think about becoming a retailer after he retired from the Air Force.

Maynard had planned to take a well-paying Department of Defense job in Germany but couldn’t shake the notion of owning a Pedego store. He was drawn to Myrtle Beach, South Carolina, since his wife is from Charleston and he had attended the University of South Carolina.

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## ELECTRIC BIKE REPORT

Dutil said those models should reach the market in about a year.

Meanwhile, North American riders will have to wait awhile before they will be able to buy an Altitude Powerplay from their local shop. Dutil said it will take up to two years before Rocky Mountain offers the Powerplay in Canada or the United States.

"The European market is screaming for bikes. There's a huge vacuum of product," Cogger said. Although he worries that e-MTB sales could trace a similar trajectory as fat bikes — heavy demand until there wasn't — he believes the mar-

ket will remain strong for some time.

"We'll be filling orders until December. I anticipate repeats are going to keep flowing in. I'm not sure when pressure is going to ease on capacity," Cogger said.

**Staying flexible.** There were times during the development process that Rocky Mountain engineers wondered if it would be easier to just slap a Bosch or a Shimano drive on a bike and call it done.

"There were a lot of people who thought that we'd bitten off more than we could chew," Cogger said. "Bosch would have been quicker to market, arguably."

But with a commercial drive system, the Altitude Powerplay's frame designers would have lost much of their flexibility. "We never could have pulled off the bike using a third-party supplier," he said. "There's no other e-bike on the market that has anywhere close to the geometry that we accomplished, let alone the suspension."

An in-house system also gives Rocky Mountain more flexibility with future product development.

"If we decide tomorrow that we need a different battery or we need a modified drive or whatever, we can do it," Cogger

said. "That is absolutely not an option when you work with the other guys. You wait until they're good and ready to give you their battery and that's the way it's going to be."

Dutil believes market realities gave Rocky Mountain little choice but to push ahead with development of the Powerplay drive. Because it was so late to launch an e-MTB, the brand had to do something to stand out from everything else on the market.

"We were not the first one. We are the last one," he said. "We had to make something different." **BRAIN**

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## '100 to 500'

**LICENSED TO THRILL.** A common misunderstanding is that Pedego's retailers are franchisees. They are actually licensees, and DiCostanzo says there's a big difference.

"In a franchise model, people have to do exactly what you say, when you do it, how you do it, what you do, and they're given an operations manual that's usually hundreds of pages long," he said. "In our business model it's just the opposite. We charge zero fees. Zero. We don't charge for anything else other than our products. We do all the things that a franchisor would do except we don't charge a single dime for them."

Pedego provides product catalogs, brochures and even business cards for

its stores and manages their Google AdWords and social media campaigns for free. DiCostanzo or another member of his staff personally helps retailers select the best store location. The day after this interview, DiCostanzo was headed to Bar Harbor, Maine, to do a site selection visit.

"The only requirement the dealer has is to buy their electric bike product from us exclusively," he said. They can buy accessories from anyone.

A typical Pedego retailer invests between \$75,000 and \$100,000 to open a store, with about half of that going to the bike inventory.

DiCostanzo said Pedego owners are almost always owner-operators who typically start as sole employees. Break-even for a typical store is about \$200,000. "I don't know of any store that hasn't broken even in the first year," he said.

Because Pedego doesn't charge franchising fees, the company and its retail-

ers make more money only by selling more bikes. Unlike most bike brands, Pedego has no credit department; retailers pay upfront by credit card or wire transfer.

"We're not a bank. We don't offer any financing whatsoever," DiCostanzo said. "We don't offer terms, we don't offer anything that you would find in the traditional bike industry. So consequently we have zero bad debt."

**BEYOND COMPREHENSION.** From beach cruisers, Pedego has steadily expanded its model range into folding bikes, cargo bikes, step-throughs, mountain, fat tire and even tandem models. Many retailers are anticipating shipments of Pedego's new electric trike that will be shipping this fall.

While DiCostanzo is not a product guy, he acknowledges the importance of having a product expert. Pedego recently hired Mike Fritz, one of the longest-

serving and best-known e-bike engineers in the industry, as its engineering director.

Fritz is overseeing the opening of Pedego's third factory in China and will help develop new models. And while DiCostanzo has been dismissive of mid-drive motors (rear hub motors help keep costs down), he doesn't rule out a mid-drive model in the future. "We will make sure we have a bike in every category," he said.

Last year, Pedego moved from Irvine to a much larger headquarters in Fountain Valley. From building five to 10 bikes a day, it can now ship 50. The company has 53 employees.

DiCostanzo said he and Sherry never expected Pedego to develop so quickly.

"It just was not within my comprehension that this would be a \$20 million company," he said. "I think we're on our way to be a \$100 million company." **BRAIN**

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## Pedego retailers

In March 2015, Maynard opened Myrtle Beach Pedego. Sales doubled in the second year and could double again this year.

"I'm a very non-pushy salesperson. I don't even consider myself someone who sells bikes. I consider myself someone who helps people live a better life," he said.

Like other Pedego storeowners, Maynard caters to non-traditional bike customers. "We're a bike shop for non-cyclists," he said.

One customer, who weighs over 300 pounds, "loved coming into my store because he didn't feel intimidated. When he walks into a bike shop, he feels like everybody's looking at him like he's a big fat guy," Maynard said. "He feels comfortable here because nobody's judging him. Nobody's trying to fit him into Lycra biking shorts."

For now, Maynard has the local e-bike market pretty much to himself because IBDs don't believe in e-bikes.

"I'll say this," he added. "They'd bet-

ter start believing in it or else they'll all be out of business."

**A NON-SCARY PLACE.** "Three years ago, we were celebrating my retirement from teaching," said Puryear, a former fourth-grade teacher who owns a Pedego store in the Old Town of Scottsdale, Arizona, with her husband, Bill.

The two had been visiting friends in California when they happened upon a Pedego and took a ride. "Literally, the rest is history. We had no bike background and no retail background," she said.

The Scottsdale store has been one of Pedego's top performers. Puryear said sales so far this year are up by 43 percent compared with last year. At the same time last year they were up by 47 percent.

Like Maynard, Puryear said she works hard to make her store inviting to everyone.

"We make it a non-scary place," she said. "We take them slowly and educate



Howard Ickes came out of retirement to open a Pedego store in Henderson, Nevada.

them on the bike and do it in a very respectful way. Nobody ever feels intimidated or anything. We kind of joke that we can't make a sale until we make a friend."

It's paid off. "We'll be debt-free within the next three or four months, which is great," she said. "We've seen tremendous growth."

During the season — which in Scottsdale means the winter — Puryear is at her store seven days a week (it closes two days a week in the summer). For the

first two years, she ran the store mostly by herself, because Bill still works as office manager of a law firm. The Puryears hired their first employee in December.

But she said she doesn't mind the long hours, or working through the season without a day off.

"I'm having a blast," Puryear said. "I've never ever felt, 'Oh God, I'm so bummed I have to go to work tomorrow.' I feel really fortunate that we can say that — not too many people get to say that at this stage in our lives." **BRAIN**

## What can retailers learn about electric bikes from the car industry?

By Don DiCostanzo

To the consumer, electric bicycles are new, and it's obvious we are still in the early adopter stage. But while the exact number of electric bicycles sold to consumers in the US is a matter of dispute, no one argues that significant growth is going on right now. Also, no one disputes that the percentage of electric bicycles compared to non-electric bicycles is really low, certainly less than 2 percent.

Some car companies, including Ford and Mercedes Benz, have already launched electric bicycle models. BMW is launching its line of electric bicycles in the US right now, and General Motors is reportedly developing one. The reason is simple — they understand that car sales are flat because we simply don't have room for any more vehicles in our cities. Other forms of mobility are emerging and they don't want to be left behind. However, is a car dealership really the place to buy an electric bicycle? So far, that model has failed, but efforts continue. Is a traditional bicycle store the place to buy an electric bicycle? So far, that model has failed, but efforts continue.

When you think hybrid car in the US, you most likely think Toyota Prius, which represents about 70 percent of all US hybrid cars sales. But they are underpowered and don't have much electric range. When you combine a small gasoline engine with a small battery pack, you get a poorly gas-powered and terrible electric vehicle. Consequently, after peaking in 2015, Prius sales dropped by 26 percent in 2016.

In Europe, a typical car is a diesel station wagon. Of course, there is a very good reason — gas is \$8 to \$9 per gallon. The European market is very different for cars and, arguably, for bicycles as well. Underpowered pedal-assist-only European electric bicycles have not proven to be acceptable to U.S. consumers despite efforts by many to market them. While most cars sold in Europe are four-cylinder diesels, U.S. consumers want eight-cylinder gas models. Power is what U.S. consumers want. If you have any doubts about that, take a look at the electric car industry. Much like the electric bicycle industry, the traditional car industry has been slow to adopt electric cars and has struggled to find its way. Until recently, most of the traditional bicycle industry in the US has dis-

played a contemptuous attitude toward electric bicycles. In addition, most electric bike models produced in the past have been underpowered with 24-volt and 36-volt systems. It takes 48 volts to get a 200-pound man up a hill.

Mercedes-Benz offers one all-electric car model, called the B200. This model is very small with a mere 85-mile range and has proven to be very unappealing in the U.S. market. Cadillac also failed with the one electric model it made in 2014 (ELR) and withdrew from the market due to pathetic sales. Its range was just 37 miles in electric mode.

Enter Tesla. Sleek styling, outstanding range, hundreds of fast-charging locations to refuel and dedicated retail stores backed by service centers have made Tesla the electric vehicle star. And Tesla offers ranges up to 315 miles, nearly four times the distance of most of its competitors. Tesla outsells all competitive electric cars combined. That includes BMW, Mercedes, Ford and Chevrolet. Tesla didn't invent electric cars; they answered consumer demands and worked toward perfecting them.

The traditional car industry has struggled to compete with Tesla. Not only have others failed in offering their own electric cars, they continue to try to stop Tesla's retail stores from opening. In 2016, Tesla sales increased by 27 percent — the same year Priuses dropped by nearly the exact same percent. Furthermore, Tesla stores are very different from traditional car dealerships. They are not located on car dealership row but in retail mall locations.

In 2016, on a percentage basis, Tesla's growth in the luxury car category outpaced every brand except for Jaguar. Tesla has a market capitalization that exceeds both Ford and General Motors. And, perhaps most importantly, the next Tesla car, the Model 3, has presold more than 400,000 cars to customers who happily plunked down the \$1,000 deposit.

So what can bicycle retailers learn from the automotive industry? Open a separate location; offer just one brand that specializes only in electric bicycles; and locate it away from other bicycle stores. Pick a brand that offers plenty of choices and that has powerful systems and extended range batteries. You might not quite have 400,000 customers pre-ordering bikes, but you very well could be on your way to Tesla-like growth. And that's pretty electric.

Don DiCostanzo is CEO and co-founder of Pedego Electric Bikes. He can be reached at [Don@Pedego.com](mailto:Don@Pedego.com).

## Rebooting in Utah: Sharing the road with aging riders

By Lynette Carpiet

It's been three weeks from when I rode into St. George, Utah, following six days of camping and riding as part of one of Adventure Cycling's fully supported bike tours. If you haven't done a multi-day tour by bike, I highly recommend you do. The experience of riding every day, taking in beautiful scenery while meeting people from all over the U.S. and sometimes other countries, is something I will now attempt to do at least once a year.

Our group rode about 270 miles in dry, high desert heat and with pretty gusty winds through some sections. Our route took us from St. George to three of the most scenic national parks in Southwest Utah — Zion, Bryce and Cedar Breaks. We set up camp each day in a different spot along the way, staying in small towns I probably would have never gone to otherwise. Places like Panguitch, Hatch and Kanarrville.

It was interesting for me to see who takes part in these adventures. I was the third youngest out of a group of 36 riders. The average age was 63, but spanned from the youngest, a 26-year-old from St. Louis, to an 83-year-old from Dayton, Ohio.

Most riders were retired or soon to be retired. They came from as far east as D.C., as far west as California, as far north as Charlottetown and St. Bruno, Canada, and as far south as Fort Myers, Florida. One rider, Skip, hailed from Juneau, Alaska. They rode every type of bike you can think of. I saw tandems, folding bikes, traditional long-haul touring bikes outfitted with panniers, adventure/all-road bikes with disc brakes and fatter road tires and more performance-oriented road bikes — spanning the 1980s to current model year.

While it was refreshing and inspiring for me to spend days with these folks many years my senior and in great shape, it also made me think about what we as an industry are doing to inspire more riders to take these types of adventures. Although they were great sports, I'm sure Adam and Hannah, the two youngest, would have loved to see other riders in their 20s and 30s that they could relate to on the trip. As some of these riders age out from these activities, what are we doing to replace them? To draw in more Adams and Hannahs?

I'm still receiving emails from friends on the Google Group for the Utah ride. Friends I hope to see soon again on another tour.

