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Published on *Minnesota Business* (<http://minnesotabusiness.com>)

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Inside Minnesota's Booming Bike Economy

When your state lays claim to having the No. 1 biking city in the nation, it's good for more than just cyclists; it's good for the whole economy—here's how.

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Photo By: Tate Carlson & Emily J. Davis



Surely you've noticed them. The urban hipsters on their retro steel frames. Commuters lugging backpacks and pannier bags. Racers in spandex. They're bicyclists, and by all measures, they're multiplying on Twin Cities streets. This spring *Bicycling Magazine* named Minneapolis "America's Best Biking City," edging out perennial powerhouse Portland, to the chagrin of Oregonians, and to the surprise of the rest of the country. Despite our tough winters, we have the second-most bike commuters per capita, more than 120 miles of bike lanes and paths, and the nation's newest and largest bike-share program.

But while we're finally starting to receive the attention we're due as a cycling mecca, there's another phenomenon just beneath the surface that's gone largely unrecognized by most non-bikers. The Twin Cities are gradually but surely becoming a central hub in the national bike economy.

Consider this: We're home to the biggest bicycle parts supplier in North America and, presumably, the world; the largest bike tool manufacturer; two of the nation's leading bike retailers; the largest distributor of road biking goods and apparel; one of the premier triathlon shops in the country; and the list of superlatives could go on.

But how, you might ask, can this be possible, in a region that can see snow up to eight months out of the year?

"Cycling is just part of the culture here," says Bill Armas, director of marketing at St. Paul-based Park Tool, the world's leading bicycle tool manufacturer and the company that invented both the bike storage hook and the world's most popular bike repair stand. The California native moved here 5 1/2 years ago and was astounded by what he saw. "In California people bike to bike. They dress in their cycling gear to be seen. In Minnesota you'll see kids biking to soccer practice, guys in suits headed downtown, college students, and, yes, road bikers and mountain bikers, too."

Snow, surprisingly enough, might even be an asset for some cycling businesses. "Four seasons is helpful for testing our products," says Gary Sjoquist, advocacy director at Quality Bicycle Products, North America's (and probably the world's) largest bike parts supplier. "We've got many lines designed for all weather conditions, and we can take our products right out our back door any time of year."

The Friendly Giants

As the Twin Cities are to the nation's bike culture, QBP is to the cycling industry: A quiet—and most would agree, friendly—giant. Founded by Steve Flagg in a tiny St. Paul office in 1981, Quality now supplies more than 5,000 dealers

worldwide from its state-of-the-art, eco-friendly distribution center, unassumingly nestled next to Hyland Lake in West Bloomington.

Most non-cyclists have never heard of QBP but over the past decade they've begun to extend their reach well beyond bike parts and into entire lines of new bikes (some launched by them, others bought and revived). And while their reach is national, even global, Quality's growth is cited by local shop owners as a catalyst for their own.

"We really kind of feed off of one another," observes Erik Saltvold, CEO and founder of Erik's Bike Shop, one of the nation's largest bike retailers, with 16 locations in Minnesota and Wisconsin. "You have a successful company like QBP, and that grows, and we grow together. We support the strong cycling culture that's developed here and in turn they support us."

Pat Sorensen, president and owner of Penn Cycle and Fitness, agrees. "It really builds on itself. As cycling becomes more visible in the community more people decide to try it, which makes it more visible."

In addition to QBP, Sorensen points to another major bike company in the region that has helped his company grow: Trek, the nation's largest bike manufacturer, based in Waterloo, Wis. "We were Trek's first customer," recalls Sorensen. "I still remember [Trek co-founder] Bevel Hogg walking through the door in the middle of a February blizzard and asking us if we wanted to buy some bike frames."

After establishing themselves as one of the nation's leading Schwinn dealers in the '60s and '70s (and continuing through the '90s) Penn hitched their star to the Trek juggernaut in the 1976 and has grown into not only one of the nation's largest volume Trek dealers, but (like Erik's) one of the largest bike retailers period.

Just think of that. The Twin Cities metropolitan area, 16th largest in the U.S., supports two of the country's biggest bike retailers. It's yet another sign of the strength of our cycling culture, and the emergence of bicycling as an important sector in our local economy.

The Independents

But it's not just the large multi-location shops, and big parts and tool suppliers that feed our vibrant bike culture and economy. The Twin Cities are home to an astonishing array of quirky and colorful independent shops and service businesses, like One on One Bicycle Studio in downtown Minneapolis, a bike shop, cafe, bike art gallery and cyclists' refuge.

Co-owner Gene Oberpriller says his shop has customers from across the demographic spectrum, from "people with incomes below \$30,000 using their bikes as transportation to those who'll drop \$6,000 to \$7,000 on a custom bike."

"But our strongest segment is city cycling. Fixed gear, single speed, urban freestyle, commuters, recreational riders. Our customers tend to live and work downtown."

The bike shop/cafe model has become a way for smaller shops to differentiate themselves from their larger competitors, providing a neighborhood feel and a meeting place for cyclists. The recently opened Angry Catfish fits the mold, offering French press and single-cup coffee made to order, along with high-end road, mountain and city bikes in the Standish neighborhood of Minneapolis.

There are shops dedicated to racers, a la Flanders Brothers (Minneapolis) and Grand Performance (St. Paul); and shops that sell to families (Penn has been voted best family bike shop in the country three times in the past five years). There are those that specialize in recumbent bikes, single speed and fixed gear bikes, BMX and comfort bikes, even cargo bikes and adult trikes; you get the picture. Our metropolitan area supports upwards of 100 bike shops.

But perhaps the best bellwether of the health of the local cycling economy is the proliferation of small businesses that don't sell a single bike. Specialty bike product and service businesses have proliferated across the metro area. Dero Bike Racks in Minneapolis manufactures functional and artistic racks for cities, schools, business and consumers; HED Wheels, operating out of Shoreview, builds some of the industry's best road bike racing wheels; Edina-based Banjo Brothers produces bike bags and accessories for commuters and recreational cyclists; Twin Six Alternative Cycling Apparel designs award-winning jerseys, shorts and other apparel; and a host of businesses have developed around coaching, training and performance.

Fix Studio in Minneapolis is a prime example. Owner Larry Foss and his wife—former professional cyclist Sophie St. Jacques—offer professional bike fitting, lactate testing and power-based indoor bike training, along with sports massage and corrective exercise. Business has been brisk enough for The Fix to move their operation from their Washington Avenue location to a much larger space in Nokomis.

We also have a remarkably robust independent frame-building community, including nationally recognized builders like

Capricorn, Clockwork, Peacock Groove, Vincent Dominguez and Wyganowski. These builders craft hand-made, full-custom bikes one at a time. An exhaustive list of independent bike-related businesses is far too large to include here, but it goes to show how our robust bike culture has created an incredible incubator for small bike businesses.

The Balance Sheet

Let's get to the bottom line. Just how much money is generated by the business of biking in the Twin Cities, and how does this burgeoning segment in our local economy stack up?

As privately held businesses, few are willing to publicly divulge detailed financial data, but off-the-record conversations yield an estimate of the revenue generated by the largest local businesses (QBP, Erik's Bikes, Penn Cycle, Park Tool, etc.) around \$260 million dollars annually.

How about the abundance of independent shops? Fred Clements, executive director of the National Bicycle Dealers Association, says a typical independent bike retailer generates revenues around \$700,000 per year and operates as a sole proprietorship from one location with five to seven staff. Usually they make just enough to pay their employees, cover facility costs, develop small-scale advertising campaigns and pay themselves a modest salary. Margins in the bike business are extremely tight, with most shops generating just 1 to 2 percent profit before taxes.

"It really is a labor of love for most owners," observes Clements. "The higher-profit shops might make 5 or 6 percent if they're really well run, but most are in it for the love of it." Clements' organization helps these businesses by promoting professional management through education and networking. He says that as retailers grow and become multi-location businesses they have to operate more efficiently and adopt strong business management methods to succeed.

So, by subtracting the two biggest retailers (Erik's and Penn) from the mix of approximately 100 bike sellers we have another \$50 million to add to the kitty.

Finally, the contributions of the various bike-related product and service businesses are difficult to quantify, but most have a couple of employee-owners with profits just sufficient to pay their salaries. Average revenues are around \$200,000 with approximately 25 or so businesses. Ring up another \$5 million.

Cha-ching; \$315 million a year is nothing to sneeze at. Sure, it's not the multi-billion-dollar medical device industry, a known driver of our local economy, but according to data from the U.S. Bureau of Economic Analysis it's approaching the size of "forestry, fishing and related activities," which accounts for roughly \$370 million of output. And bicycling has many other important but less tangible economic impacts.

"It's tricky to measure the specific contribution that biking for transportation, recreation and fitness make to the fuzzy notion of 'quality of life' in the Twin Cities," says Joe Mahon, economic analyst at the Federal Reserve Bank of Minneapolis and himself a year-round bike commuter. "But these amenities probably play a role in attracting talented and educated people in the same way that a good school system does, and that has a real effect on economic growth, even if it can't be measured."

The Public Sphere

This is one of the many reasons the promotion of bicycling has become a rallying point for politicians across the political spectrum. There's no bigger proponent for cycling in local government than Minneapolis Mayor R.T. Rybak. Rybak was instrumental in cementing the public/private partnership that brought us the Freewheel Midtown Bike Center, additional investments in the Midtown Greenway—now the nation's premier bike superhighway—and a comprehensive city plan that carves out a big space for bicycling.

"When you think of Detroit you think of cars," says Rybak. "When you think of Minneapolis and St. Paul you should think of bikes."

The mayor says he wants to continue to foster public investment in infrastructure but also use the tools of government, like small business loans, to help bike-related businesses develop and thrive. He even thinks a big part of his legacy will be connected to expanding access to parks and public space, particularly bikeways. In his view, this legacy is an extension of the one passed down over a century ago when Theodore Wirth and other city founders made our parks and trails a model for the nation.

The Future

To look forward it helps to take a quick glance back. Nearly every local shop said 2008 was a banner year. The spike in oil prices, which produced \$4-a-gallon gas, led to a similar spike in bike sales and service. The number of bike

commuters in our area doubled over the course of the year, and in the process they bought new bikes, refurbished old ones and accessorized, to the glee of shop owners metrowide.

2009 was slower, as the economic downturn set in. But the bike business is somewhat counterbalanced in a poor economy. Kevin Ishaug, owner of Freewheel Bike in Minneapolis, says a large segment of bike products could be considered "inferior goods," which is not to imply poor quality but rather a good that decreases in demand as consumer income rises—unlike "normal goods," for which demand increases with income. As a result, most shops weathered the storm just fine.

2010 has started strong for most retailers. An early spring always bodes well for a new bike season, and many say that weather is the strongest predictor of sales. A number of local shops observe a ballooning at both the high end and low end of the spectrum, with active baby boomers falling in love with road bikes again and diving into the \$3,000-plus market, and their wannabe-active counterparts relearning their love of bikes on cruisers and comfort bikes. As Park Tool's Bill Armas commented, the Twin Cities has riders of all sorts.

Bob Sumada, owner of Now Bikes & Fitness in St. Paul, says sales are up roughly 10 percent compared to this time last year. His shop, which offers a wide range of road, mountain and hybrid bikes at almost every price point, has experienced strong sales at both the entry and expert level.

Will \$4-a-gallon gas soon return to a station in your neighborhood? Maybe; maybe not. Will bikes begin to outnumber cars on our roads and trails? Don't hold your breath. But good money is being spent and made on bicycling in the Twin Cities, and as long as the money is flowing the Twin Cities will continue the process of empire building.

Epilogue

It's a warm June evening and David LaPorte is looking out across hundreds of bike racers lining up along Hennepin Avenue. They're preparing for the Uptown Criterium, the fourth of six stages in the Nature Valley Grand Prix, which has emerged as the top-ranked event on the domestic pro racing calendar. But these aren't your typical racers. They stand, on average, about three feet tall. It's the kids race, and record numbers of little people have assembled to take a spin around the pro course with their families cheering them on.

"I told my staff of volunteers to prepare for the biggest turnout of kids we'd ever seen, and we got it," says LaPorte, executive director of the Nature Valley Bike Festival, now in its 12th year. "I think it was more difficult to manage 200 to 300 kids than it was to organize the pro race!"

By bringing hundreds of thousands of spectators into the six host cities to watch the professionals race and spend money at local establishments, LaPorte says it raised the visibility of cycling for both sport and recreation while reminding people of all of the amenities we have in our cities. The kids on hand were certainly amply entertained both on and off the course.

It's part of the self-sustaining cycle Penn's Pat Sorensen observed, in which the visibility of cycling in the community causes more people to try it, which in turn makes it more visible. And this cycle fuels the one Erik Saltvold noted in which QBP's growth catalyzes the growth of local shops, which amplifies QBP's growth. Like riders in the pro peloton, these businesses are simultaneously competing and working together, and they're gathering momentum.

As the kids cross the finish line under the Nature Valley banner, they're all smiles. And so are their families, other bystanders and, most notably, shop owners—and there are quite a few in the crowd. They know that these kids stand in for the thousands who will become life-long cyclists. For sport, for transportation, for fun. It's part of our culture here in the Twin Cities, and it's increasingly a part of our economy.

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