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DETROIT BIKES: BECOMING THE BIGGEST BICYCLE MANUFACTURER IN NORTH AMERICA

Kent Walker and Neda Demiri wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In 2016, Mike Gentile walked out of a strategy meeting with Zak Pashak, the founder and president of Detroit Bikes, with a new opportunity. As the company's communications director, Gentile was tasked with the ambitious goal of increasing annual sales from the current projected 8,000 bikes, to 50,000 bikes. While excited about the possibility for such a substantial increase and inspired by Pashak's passion, Gentile knew that this aspiring goal would require a lot of work grounded in an effective advertising campaign that showcased the company's history, innovation, and ethicality.

Pondering his task, Gentile walked around the impressive Detroit Bikes factory, the first large bicycle producer in North America in the 21st century. He recalled the first time he heard about the company and how he immediately thought that he had to be a part of it. He loved the idea of bringing bicycle manufacturing back to North America. Everything about the company—the history, the brand, the culture, and what it was trying to achieve—resonated with him.

Gentile also believed in Detroit and admired its rich history in manufacturing and the perseverance of its people. He, like many entrepreneurs in Detroit, was a strong believer in opportunity arising from crises: a downturn provided a number of incentives for businesses to move in. It was no secret that Detroit had struggled for decades, culminating in a bankruptcy in 2013. Yet throughout, the people of Detroit had maintained hope that the city would once again rise. As one such Detroiter, Gentile considered the growth and success of Detroit Bikes to be paramount to the progression of the city. Similarly, the company's struggles mirrored the city's struggles. He needed to consider the challenges with sales, financial investment, and brand recognition in a city fighting to survive.

Fifty thousand bikes per year would make Detroit Bikes North America's largest bicycle manufacturer. As he walked around the facility, Gentile wondered whether this sales goal would be possible in a city like Detroit. What would he need to do to get the company there? To prosper in Detroit, an entrepreneur needed to know the city's history, from its rise to the third largest city in America, to its downfall into bankruptcy, to its slow re-emergence today. Only then would Gentile have a full understanding of how to grow the business in such an unusual external environment.

DETROIT: PHOENIX RISING

In July 2013, the city of Detroit declared Chapter 9 bankruptcy, becoming the largest city in American history to do so.¹ Reasons for the filing included a steep decline in population (in 2010, the city had approximately 702,000 residents, a decline of 60 per cent in 60 years); high pension costs with more than 12,000 public workers (more than any other similarly sized city in the United States); and a lack of funds to cover even basic city services such as police and ambulance services and the replacement of street lights (at one point, nearly 50 per cent of street lights were burnt out).²

The city also had a history of corrupt public employees, the most well-known being Kwame Kilpatrick, the city's former mayor, who pocketed more than US\$1 million³ from illegal activities. Often blamed by prosecutors for having accelerated Detroit's bankruptcy, Kilpatrick was convicted in March 2013 with "two dozen counts that included charges of racketeering and extortion, adding his name to a list of at least 18 city officials who [were] convicted of corruption during his tenure." Kilpatrick was sentenced to 28 years in prison—one of the harshest punishments in the history of major state and local public corruption cases.⁴

With such extensive corruption, it was not surprising that Detroit's public systems increasingly worsened. For instance, Detroit's school system remained the worst in the country, largely as a result of corrupt administrators. Additionally, after an audit revealed high levels of systemic errors, the state shut down the city's police department crime lab in the fall of 2008. That same year, the city reported 90,000 fires, double that of New York, which had eleven times the population of Detroit.⁵ Residents described the city as a "war zone," which came from its long-standing history of arson, tracing back to as early as 1967. Due to budget cuts, authorities were limited to the staff, funding, and equipment sufficient to investigate only one of every five cases of arson. With 80,000 abandoned buildings across 139 square miles (360 square kilometres), arsonists had many opportunities to cause fires, and a slim chance of being caught.⁶

Detroit experienced the biggest downfall of any major U.S. city. Once the third-largest city in the United States, Detroit was identified in 2015 as having the highest unemployment and murder rates in the country.⁷ In the same year, Detroit was ranked by *Forbes* as also the most dangerous U.S. city overall, "with a violent crime rate of 2,137 per 100,000 residents."⁸

Despite such ominous struggles, the city of Detroit and many of its citizens had persevered, and in the following year, the city experienced a bit of a comeback. Coined the "Detroit Renaissance," the city's improving situation started in 2007, when Dan Gilbert announced his intention to move Quicken Loans Inc., the second largest mortgage lender in the United States, to downtown Detroit. Quicken Loans was credited with setting Detroit on the right path. Gilbert helped revitalize downtown Detroit with new offices and the addition of 11,000 new jobs.⁹ He also invested money in Detroit's economy by purchasing more than 60 properties for \$1.3 billion.¹⁰

The city's violent crime and homicide rates had significantly dropped by 2014, with homicide rates at their lowest since 1967. Similarly, robbery and carjacking dropped by 34 per cent in the same year. Further, "when General Motors filed for bankruptcy in 2009, there were 48 unoccupied large buildings in the heart of the city. [In 2015], . . . more than 31 of those buildings [were] once again occupied, with many others undergoing renovation in preparation to be put to use."¹¹

By 2016, an estimated 100,000 people were set to be working in downtown Detroit; many were from the growing millennial generation. Many new start-ups and renovations were also underway. The Detroit International Riverfront became more vibrant with pedestrians and weekly events. Located in the Detroit River, Belle Isle Park featured "a zoo, an aquarium, a maritime museum, golf facilities, and 150 acres of forest." The Greening of Detroit, a non-profit city project, was slated to plant 4,000 trees along the streets.

With vacant land and the demolition of buildings, locally grown produce became more popular and was sold at popular farmers' markets.¹²

The city's professional ice hockey team, the Detroit Red Wings, also contributed to the renaissance, with a new arena set to open in 2017. The \$450 million project was to be accompanied by many surrounding businesses such as bars, restaurants, and shops. Construction of the arena would create over 8,300 jobs, with more than half of the work to be completed by Detroit residents.¹³

Over the same few years, the city experienced an upsurge in entrepreneurial activity, including start-up accelerators, social enterprises, and innovative businesses. Many entrepreneurs viewed Detroit as the perfect manufacturing hub, given its long-standing history with the auto industry. The city fostered an entrepreneurial community where business owners had access to affordable real estate—particularly old manufacturing plants—talented and experienced workers, engineers, former auto assembly-line workers, and supportive people who wanted to see the city succeed.¹⁴

THE AMERICAN BICYCLE INDUSTRY

The bicycle manufacturing industry in the United States was over 100 years old. It began to prosper in the 1890s when the industry had 300 established firms producing bicycles. Production grew from 30,000 bicycles in 1890 to 1,200,000 in 1899.¹⁵

Despite such rapid growth, innovation in the industry and in the types of bicycles produced remained minimal, even to the present. In the 1870s, the “high-wheeler” model of bicycles was produced; it had a large front wheel and a small back wheel. Only a short time later, John Starlet introduced the “safety bicycle” in 1885, which resembled bicycles that were commonly produced well into the 2010s. The bicycle featured two wheels of the same size, and for safety, “allowed the rider to start and stop with both feet on the ground.” This new model also allowed riders to pedal at their own desired rate of speed. The safety bicycle created the idea of a personal vehicle, with low cost and maintenance.¹⁶

The development and mass production of the bicycle affected the economy and people's lifestyles. Bicycles enabled people from rural areas to travel longer distances. But when the use of bicycles first became popular, there was a lack of paved roads. Several petitions from hundreds of thousands of citizens in the United States resulted in the Good Roads Movement, a push for paved roads (particularly between cities and rural areas), bicycle paths along the side of public roads, and cyclist safety.¹⁷

More recently, the U.S. bicycle market was taken over and dominated by imports from China and Taiwan, which produced 99 per cent of U.S. bicycles—17.8 million—in 2014. Several companies were in the mass-merchant channel, including Dorel Industries Inc., a Canadian company with subsidiaries producing Schwinn, Mongoose, and Roadmaster brands; Dynacraft BSC, Inc., an American distributor of Magna brand bicycles; Huffy Corporation, with its Royce Union brand; Rand/Ross Bicycle Co.; and Kent International (Kent). All of these companies sold bicycles imported from China or Taiwan.¹⁸

In October 2014, Kent announced the opening of its new U.S. bicycle assembly factory in South Carolina. Previously, Kent's bicycles had been produced in Asia. Kent intended to maintain its overseas production and with its new facility, double its previously projected output, producing over a million bikes over the course of the next four years, or an average of 250,000 bikes per year.¹⁹ In July 2016, Kent's chief executive officer, Arnold Kamler, stated that the company would produce “just under 300,000 bikes” that year.²⁰ The

company would become the largest bicycle producer in the United States, supplying major retailers such as Walmart and Toys “R” Us.²¹

This new plant may have signified a shift toward more U.S. manufacturing, but for the time being, the vast majority of production remained outside of the United States.²² In 2015, significantly fewer bicycles, approximately 200,000, were manufactured, not just assembled, in the United States. Bicycle parts such as wheels and tires were still imported from Asian manufacturers such as Shimano, Inc. and SRAM.²³ At the time, Kent, too, was only assembling and producing bicycles in South Carolina, using parts imported from China and Taiwan, although the company had plans to source 60–70 per cent of these parts in the United States by 2018.²⁴

Small U.S. bicycle producers still existed, with over 100 domestic brands available at the time. Bicycles had also become more comfortable with more options in design, size, durability, and price points. They provided a cost-effective, environmentally friendly way to travel. However, not surprisingly, the bicycle industry was heavily affected by weather and economic conditions. Bicycle sales relied on discretionary spending, which fluctuated with economic conditions. When conditions were unfavourable, discretionary spending dropped. Still, in the United States, approximately 15 million–20 million bicycle units, which included parts, accessories, and service, were sold per year.

In more recent years, bicycles were gaining popularity in response to the societal issues of environmental sustainability, higher gas prices and efforts to reduce overall dependence on fossil fuels, and the need to address health problems related to inactivity. According to the National Bicycle Dealers Association:

NBDA [National Bicycle Dealers Association] research conducted by the Bicycle Market Research Institute in 2006 reported that 73 per cent of adult cyclists rode for recreation, 53 per cent for fitness, 10 per cent for commuting, 8 per cent racing, and 6 per cent sport. The figures add up to more than 100 per cent because some ride in multiple ways. The number of people commuting by bicycle has grown significantly since that year, though this can be difficult to measure because many commuters may not consider themselves as “cyclists.”²⁵

The increasing use of bicycles was matched with increasing government investments, demonstrating the growing popularity of bicycles as a feasible, widespread form of transportation. In particular, the U.S. federal government budgeted for significant investments in bicycle paths and road developments to make roads more accessible to bicycles. Governments at every level sustained their investments for cyclists and pedestrians despite tough economic conditions. This support was tied to the government’s aims to improve livability in cities, making the cities attractive to prospective employers and employees who could strengthen the economy. Additionally, several cities and companies administered bike-sharing programs, allowing individuals to rent bikes for transportation within the city.²⁶

DETROIT’S BICYCLE INDUSTRY

Several factors contributed to the revitalization of the bike industry and biking culture in Detroit. Inexpensive space was abundant with deserted factories from car-related manufacturing. Skilled workers and machinery left over from the plants were also abundant, allowing for a smooth transition to other manufacturing projects. The city’s population decline resulted in a surprising benefit for the bicycle industry, as cyclists found themselves with more empty space and safer roads to travel on.²⁷ And new bike-related infrastructure helped further; from 2010 to 2015, the number of bike lanes had quadrupled, growing from approximately 50 miles (80 kilometres) to 200 (322 kilometres). In addition, according to Todd Scott, the executive director of the

Detroit Freeways Coalition, the city had installed four stationary bike repair stations with plans to install more.²⁸

There had also been an explosion of interest in bicycle-related events, helping to grow the bicycle movement. For example, more than 7,000 cyclists participated in an annual bike ride through historic areas of the city, hosted by the Detroit-based Tour de Troit. When the event began in 2002, about 25 people participated. Similarly, Slow Roll, a group of cyclists in partnership with the city of Detroit and the Detroit Police Department, organized a weekly bicycle ride through the neighbourhoods of Detroit, taking a different route each time. The weekly ride had grown to over 3,000 cyclists participating every week. Further, the weekly ride had a different starting point each time, drawing attention to local businesses, which in turn supported and encouraged the event.²⁹

Individual businesses were benefiting and thriving from the massive growth of the bicycle industry. Wheelhouse Detroit, a bike retail and rental business on the riverfront, opened its second location in Campus Martius Park in the summer of 2015. In its first year of operation in 2008, Wheelhouse Detroit had about 1,000 rentals. According to co-owner Kelli Kavanagh, in 2014, the business had 7,500 rentals and the numbers continued to grow.³⁰ Another local company, Shinola, was created with the belief that “products should be built to last, and they should be built in America.”³¹ The company chose Detroit as its headquarters because the city fit best with the company’s “built in America” manufacturing goal. In addition to watches and leather goods, the company produced high-end bicycles. The company hired local citizens and featured their stories on the Shinola website. In 2014, employees started at a salary of \$11 per hour plus health care benefits and paid holidays.³²

DETROIT BIKES

Detroit Bikes was another local company that had seen sales surge from approximately 1,000 bikes in 2011 to a projected 8,000 in 2016. Pashak founded Detroit Bikes out of his longstanding interest in alternative transportation. He also wanted a “practical, sturdy bike to get around on,” created exclusively from local labour.³³ The 36-year-old serial entrepreneur consistently focused his businesses on fostering communities and improving the city where the businesses were located.³⁴

Pashak grew up with a curiosity about Detroit and felt he had more to contribute. He believed that his main contribution would be to help generate employment. He wanted to build Detroit Bikes so it could grow and create more jobs, “while making a profit and inspiring further investment from other people and companies.” Admitting he was not a “bike guy,” Pashak stated that “more and more bike people are interested in getting on a bike for shorter trips and I feel we are building the perfect option for that.”³⁵

In July 2012, Pashak purchased a 50,000-square-foot (4,645-square-metre) factory on Detroit’s west side for an impressively low price of \$500,000. He then invested an additional \$2 million in the company and factory.³⁶ The factory had the capacity to produce 100 bikes per day, each of them “cut, coped, bent, welded, painted, assembled, and packaged” in-house.³⁷ However, it was still difficult to manufacture a bike with all-American components at a reasonable price. Accordingly, the company received some components, such as brakes, hubs, and spokes, from Taiwan.³⁸ However, a large portion of the bicycles, including the frames, were made in the United States.

Targeting ethically minded consumers, Detroit Bikes relied on the popularity of the “made in Detroit” brand and its efforts to manufacture its products in high volume in North America.³⁹ The factory’s production

capacity allowed Detroit Bikes to become the largest-scale bicycle manufacturer in North America, provided it achieved the needed sales.⁴⁰

Detroit Bikes manufactured two models: the A-Type and the B-Type (see Exhibit 1). Since its introduction, the A-Type was often compared to Henry Ford's Model T: "You can have a Detroit Bike in any color you want, as long as the color is black."⁴¹ Pashak himself was also often compared to Henry Ford: "two motivated businessmen working the same town, for the same reason."⁴² The A-Type and B-Type models were designed for individuals between five foot three (160 centimetres) and six foot three inches (190 centimetres) tall. The bicycles had wheels slightly larger than average to ensure a smooth ride. The bikes had three speeds, foot and hand brakes to allow for full control and safe braking, and ample "braze-ons"—items that were attached to the bike frame, such as water bottle cage mounts—for customization.

In 2014, Detroit Bikes was working on lowering its production cost from \$150 to \$100 per bike (see Exhibit 2). Seeing a niche where other bike manufacturers focused mainly on the look of the bike, Detroit Bikes sought a balance between affordability and quality.⁴³ The A-Type and B-Type models both retailed for \$699.99. According to the National Bicycle Dealers Association:

The approximately 4,000 specialty bicycle retailers commanded approximately 13 per cent of the bicycle market in terms of unit sales in 2015, but 49 per cent of the dollars, a dominant dollar share. Dealer price points generally start[ed] at around \$200, with the average at \$753, though prices [could] range into the thousands.⁴⁴

Detroit Bikes retailed its bikes at higher-than-average prices to cover the costs of using chromoly steel—a higher-quality, durable material used to build bike frames, described as light, strong, and long-lasting—and to provide a living wage and health care benefits to employees. According to Pashak, "I think [customers] want to know the people who made their bikes are getting a fair wage and are treated well."⁴⁵

Seeking to expand the products it offered, Detroit Bikes built and tested 60 prototypes in 2013 alone.⁴⁶ In November 2015, the company held a successful Kickstarter campaign for a collector's edition bike called the C-Type. Contributors could purchase the C-Type in limited-edition colours by donating a minimum of \$599 to the campaign. After the campaign, the C-Type would be available only in dark red and black, and retail for \$599.⁴⁷ The company surpassed its \$100,000 fundraising goal by \$6,035. The majority of backers, perhaps not surprisingly, came from Pashak's hometown, Calgary, Alberta, which was great news for branding purposes: more Canadians would be seen riding a Detroit Bike, and Canada remained a relatively untapped market for Detroit Bikes.⁴⁸

Detroit Bikes found its biggest inspiration in the talented people of Detroit who seemed to immediately understand what the company wanted to do.⁴⁹ The majority of employees had worked for at least one of the three major U.S. automotive companies at some point in their lives. They, just like Detroit Bikes, valued U.S.-made, quality products.⁵⁰ The company also wanted to recruit and hire residents from the neighbourhood surrounding the factory, specifically students from local high schools, giving them a decent wage and experience.⁵¹

"Detroit Bikes was a very exciting and dynamic company that was growing very quickly," said Gentile. Jake L'Ecuyer, special projects manager, commented on the corporate culture: "There is no micromanagement at Detroit Bikes; everyone's ideas are considered. It is a matter of 'can you make your ideas happen?'" Cameron Bobruk, the human resources manager, added, "The atmosphere at Detroit Bikes is very family-oriented; everyone knows each other."

COMPETITOR ANALYSIS AND MANUFACTURING TRENDS

The company faced small levels of local competition from two other bike producers, Detroit Bicycle Company and Shinola. Similar to Detroit Bikes, both companies emphasized the Detroit brand: “by buying their products you [were] participating in the resurrection of a great American manufacturing city.”⁵² The difference was that Detroit Bicycle Company and Shinola only assembled their bikes in Detroit—the parts were imported—and their price points were difficult to attain for most Detroiters.⁵³ A bike from Detroit Bicycle Company cost approximately \$3,200, and a bike from Shinola ranged from \$1,000 to \$2,950.⁵⁴ A bike from Detroit Bikes retailed for \$700 and was assembled *and* manufactured in the city of Detroit.⁵⁵ Further, Detroit Bikes had production capacity superior to its competitors. If Detroit Bikes reached its goal of producing 50,000 bikes per year, the company would approximately double the number of bikes produced in the United States, making Detroit the largest bicycle manufacturer in the country.⁵⁶

Although there were 32 other U.S.-based bicycle manufacturers, most of them were not comparable to Detroit Bikes. Detroit Bikes focused on large-volume production, while the others targeted a different market with high-end, custom frames. For example, Parlee Cycles had road bikes starting at \$4,000; Bilenky Cycle Works sold fully built bikes starting at \$2,995; and Firefly Bicycles sold custom bikes that retailed for \$8,000 and up.⁵⁷ The U.S. bicycle manufacturing industry did not address the gap for affordable, good-quality bikes made domestically.

The companies most comparable to the Detroit Bikes price point and style were Bike Friday, Masi Bikes (Masi), Trek Bicycle Corporation (Trek), and Worksmen Cycles (Worksmen). Aside from proximity in price point, the look and functionality of Bike Friday’s bicycles did not pose a large threat to Detroit Bikes. Bike Friday specialized in folding bikes built for a person’s measurements; for example, one bike model—called the Bantam—was made for people of “short stature.”⁵⁸

Masi offered some bikes at prices comparable to Detroit Bikes. Masi bicycles also had an overall look that was similar to Detroit Bikes, with a black finish and minimalist design. The “Strada Vita Uno” and “Strada Vita Uno Bellissima” bikes retailed for \$709.99 each.⁵⁹ However, in 2016, Masi was producing only one frame advertised as made in the United States—a limited-edition frame called the Gran Criterium. Because the Gran Criterium was the only model that Masi specified as American-made, the remaining models were likely sourced outside of the United States.

Trek’s bicycles posed the largest competition for Detroit Bikes. Trek had large brand recognition and was commonly known to be a U.S. manufacturer.⁶⁰ However, while Trek did manufacture bikes at its factory in Wisconsin, many Trek bikes were manufactured overseas.⁶¹ Trek had facilities in Japan, Brazil, and the United Kingdom, making it difficult to trace where each bike was manufactured.⁶² In addition, the company’s owners had made public statements about choosing cheaper labour in China to stay competitive.⁶³ This approach to overseas employees differed from Detroit Bikes’s insistence on providing its employees with a living wage and health care benefits. Trek’s selection of urban and commuter bikes ranged from \$799.99 to \$3,749.99.⁶⁴ Trek’s “Zektor 2” and “Zektor 2 Stagger” models were most comparable to Detroit Bikes in price point. They were also finished in a minimalist black design, which was similar to Detroit Bikes’s A-Type.⁶⁵

Worksmen produced a line of urban commuter bikes in New York City, which were competitively priced in comparison to Detroit Bikes.⁶⁶ Worksmen had been manufacturing bikes since 1898 in a 100,000-square-foot (9,290-square-metre) factory, but the company had not revealed how many bikes it had made in that facility.⁶⁷ It was difficult, therefore, to compare Worksmen’s production levels with production at Detroit

Bikes.⁶⁸ Considering factory size alone, Workman had double the capacity of Detroit Bikes, which posed a threat to Detroit Bikes's claim to be the largest U.S. manufacturer.⁶⁹

The Workman model most similar to Detroit Bikes's A-Type was the "Workman Dutchie Brooklyn" for men, available in single- and three-speed versions, and selling for \$559 and \$655, respectively.⁷⁰ Of the two versions, the Dutchie three-speed offered features similar to those of the A-Type: three-speed gear hub, saddle with extra support and padding, minimalist look, and black finish.⁷¹ The women's version of the Dutchie was very similar to Detroit Bikes's B-Type, especially in look, finish, and frame shape.⁷²

In addition to these competitors, some manufacturers were commonly believed to produce "U.S.-made" bicycles, but, in practice, they used overseas production facilities. The common theme among these manufacturers was they did not specify they were no longer producing bikes in the United States. Instead, they kept their website wording vague to avoid diminishing their "Made in USA" brand recognition.⁷³ In addition to Trek, these manufacturers included Santa Cruz Bicycles, Marin Bikes California (which named many of its models after locations in and around Marin County, California), Wilderness Trail Bikes (commonly known as WTB), Yeti Cycles, Ellsworth Handcrafted Bicycles, Brooklyn Bicycle Co., Priority Bicycles, and Pure Cycles.⁷⁴

The bicycle brands with the largest market share in the United States were Trek (made by Trek Bicycle Corporation), Giant Bicycles (made by Giant Manufacturing Co. Ltd.), Specialized (made by Specialized Bicycle Components, Inc.), Redline Bicycles, Haro Bikes, Electra Bicycles, Cannondale Bicycles, Sun Bicycles, and Schwinn (produced by Dorel Industries Inc.).⁷⁵ Trek offered its U.S. employees "tuition reimbursement, company-matched 401k [a pension plan], and an [employee stock ownership] plan."⁷⁶ The company also promoted a strong culture for its employees and had a wellness program that promoted healthy lifestyles.⁷⁷ Trek offered a variety of bicycles, ranging from mountain to road to city bikes. Its price points captured mass-, middle-, and high-market consumers.⁷⁸

Giant, similar to Trek, offered attractive benefits to its employees: "competitive wages, health/dental/vision insurance, a retirement plan, paid vacation, and opportunities for advancement."⁷⁹ Giant's products included road, mountain/trail, and hybrid bicycles, electric bicycles (e-bikes), and youth bikes. The company offered price points at every market level, ensuring a large market share by capturing each type of consumer.⁸⁰ Specialized Bicycle Components provided its employees with health care and vision packages, as well as life insurance, disability insurance, and 401k matches.⁸¹ Specialized also manufactured road, mountain/trail, and hybrid bicycles, e-bikes, and youth bikes.⁸² It, too, captured low- to high-end bicycle consumers by offering a wide range of price points.⁸³

Detroit Bikes was ahead of the manufacturing trend and distinguished itself from the large, mass-market bicycle companies by manufacturing its products in the United States. In 2016, global manufacturing was moving back to the United States, and factory jobs were on the rise again. From 2010 to 2016, almost one million new factory jobs had been created, many of which were located in North Carolina, South Carolina, and Tennessee. These manufacturing jobs paid well. Wages had increased by over 10 per cent from 2010 to 2016, amounting to more than \$20 per hour.⁸⁴

According to business editor Jeffrey Rothfeder, Chinese manufacturing jobs had consistently decreased since 2012. In January 2016, China's Ministry of Commerce declared that its factory activity had been trending downward for six months, resulting in a three-year low. Rothfeder reported, "Foreign direct investment in Chinese manufacturing was flat for all of 2015, while China's balance of trade with the [United States] barely budged, despite the strong dollar. Moreover, China's exports tumbled in February by 25 per cent, after falling 11 per cent in January." These trends suggested an industrial renaissance in the

United States and a shift away from offshore production. General Electric was a prominent example of this shift when it announced in 2012 “plans to invest a billion dollars in an appliance plant in Louisville, Kentucky, reshoring four thousand jobs that had been in China and Mexico, and adding, over time, nearly twenty thousand factory positions at the plant’s regional suppliers.” Walmart also participated in the resurgence of U.S. manufacturing by launching an initiative in 2013 to invest an additional \$250 billion in the purchase of U.S.-made products. The company estimated the initiative would create approximately 300,000 new jobs.⁸⁵

From 2010 to 2016, approximately 100,000 manufacturing jobs returned to the United States, 60 per cent of which had returned from China. In addition, foreign companies investing in the United States created about another 150,000 U.S. manufacturing jobs. From 2000 to 2013, manufacturing wages in China rose by 12 per cent per year, weakening the financial incentive for U.S. companies to manufacture goods there. Lead time was another important factor. It could take as long as six months to receive products manufactured in China, whereas domestic manufactured products could be available within weeks.⁸⁶ In a 2016 interview, Arnold Kamler, Kent’s chief executive officer, noted that manufacturing costs in South Carolina were still about 5 per cent higher than in China, but not higher than in Taiwan. Kamler added, “It’s no secret that labour costs in China are going up 10 or 15 per cent a year, and people in China don’t want to work for factories anymore.”⁸⁷

REACHING 50,000 BIKES PER YEAR

The company’s marketing department consisted of Pashak (the founder) and Gentile. Pashak managed the social media accounts, while Gentile handled the press releases and media inquiries. Detroit Bikes was active on Facebook, Twitter, and Instagram and in 2016, had 13,668, 3,905, and 9,491 followers on each platform, respectively. Detroit Bikes received an average of 200 likes on each Instagram post, which appeared to be its most popularly followed social media account. There was user interaction in its Twitter and Facebook accounts, but not as much as on its Instagram account.

According to Gentile, “Despite competitors, Detroit Bikes is unique because it is following the current trends. There are only two models, but they appeal to a wide range of people.” The company’s target market included consumers who were attracted to the “Made in USA” brand. Gentile used the term “new urbanite” to describe the Detroit Bikes consumer: “someone who has moved downtown and wants an efficient, dependable, low-maintenance bike.”

Detroit Bikes had some high-profile clients, including Michael Duggan, then mayor of Detroit. Duggan insisted that he would be the first person to purchase a bike from Detroit Bikes, and he was.⁸⁸ The company’s profile also benefited in 2015 when a like-minded U.S. company, New Belgium Brewing Company (NBB), placed an order for 2,415 custom bikes. The order doubled Detroit Bikes’s production over the previous year. NBB had embraced biking from the company’s inception and had a tradition of giving employees a bike on their first-year anniversary of employment with NBB. The company chose Detroit Bikes to make the anniversary bicycles because it wanted a U.S. manufacturer, and liked the story behind Detroit Bikes. Bryan Simpson, a spokesman for NBB, commented, “The idea of bringing back American manufacturing jobs resonated with us.”⁸⁹ NBB engaged Detroit Bikes in a multi-year contract to exclusively manufacture the “Fat Tire Cruiser,” named after NBB’s hallmark beer, Fat Tire Amber Ale, which, in turn, had been named by the brewer’s co-founder to mark his bicycle trip through Europe, which had led to the creation of NBB. Detroit Bikes needed to add at least 10 employees to its staff of 20 to meet the increased demand.⁹⁰ The company was also looking to hire more welders, wheel builders, powder coaters, and bike assemblers to handle the increase in production.

Detroit Bikes had one retail location, in the Capitol Park Historic District. The bikes, however, were sold in numerous retail locations. Scott Montgomery, hired early in 2016 to lead national sales, believed that bicycles represented a particular area for growth. He wanted Detroit Bikes in 100 more stores within a year, for a total of 400 retail outlets in 150 U.S. cities.⁹¹

Despite the generous size of the existing factory, Detroit Bikes was looking for a second location. According to Pashak, “The second location would be used to produce bikes, but also as a tourist destination. I want to show people what manufacturing is, how it works, and why it is important. I want the second destination to be inclusive, interactive, and educational in order to show people what Detroit is so well known for.”⁹²

Canada, in particular, was a largely untapped market. The City Cyclery Bicycle Shop in Windsor, Ontario, (just minutes from downtown Detroit) was Detroit Bikes’s only Canadian retailer. There was opportunity to expand to other large Canadian cities, such as Toronto, Vancouver, and Calgary, Pashak’s hometown, where he had yet to leverage his connections.

Despite the large order from NBB and the company’s new retail location, the company was still far from its production goal of 50,000 bikes per year. However, sales were growing with projected sales of \$5 million in 2016, and \$15 million annually within five years (see Exhibit 2).

According to Gentile, “We are currently assessing efficiencies in terms of purchasing, staffing, shipping, packaging, etc., in order to minimize costs.” He also added that “the look of the bikes, quality, and production process” set the Detroit Bikes’s bicycles apart. L’Ecuyer identified future plans, which included “scaling—building more facilities, batch production, and building a good assembly line.”

Despite the company’s name, Detroit Bikes was not focusing solely on bikes. In late 2015, the company shifted its strategy to manufacturing something more than just bicycle parts. Virtue Cider, a craft cider brewer in Fennville, Michigan, had ordered 1,000 tap handles for use in bars and restaurants. According to Detroit Bikes: “The tap handles [were] made from the same steel tubing that [was] used to make bike handles.”⁹³ Detroit Bikes was also preparing to manufacture various bike parts for Motivate, a company that operated “the largest bike share system in the country.” This new deal included “wheel building, powder coating, assembly, and shipping for more than 3,000 bikes.”

CONCLUSION

Detroit Bikes had ambitious goals. It wanted to increase its sales from the projected 8,000 bikes in 2016 to 50,000 bikes per year. It was also expanding by producing specialty items such as the tap handles being produced for Virtue Cider. And the company intended to open a second, interactive, and educational location.

In his role as communications director, Gentile was responsible for marketing Detroit Bikes; thus, he played a central role in the company’s growth. Now, Gentile was tasked with developing a new marketing strategy outlining how Detroit Bikes could become the largest bike manufacturer in North America. Gentile thought the central message for the marketing strategy would be built around two points: the bikes were made in Detroit, and employees were paid well and given benefits. How best to spin these points, and to whom and where to target the message were yet to be determined.

Gentile was given one week to develop the marketing strategy, at which point he would need to present it to the executive team and several employees. Gentile felt a mix of excitement and fear about this presentation. But his strong belief in Detroit Bikes and what it wanted to achieve infused Gentile with passion. He felt confident that his passion combined with his experience would help him succeed.

EXHIBIT 1: DETROIT BIKES'S SALES PER MODEL

Model	2014	2015 (estimated)	2016 (estimated)	2015 + 2016 (projected)
A-Type	500 *	585	1,000 **	1,585
B-Type	500 *	500	500	1,000
New Belgium		2,415	***	2,415
Bike Share			3,000	3,000
TOTAL	1,000	3,500	4,500	8,000

Note: * Combined sales of both models represented 1,000 bicycles in total sales for 2011–2014; ** Sales of the A-Type model were estimated to be greater than B-Type model because the A-type model was featured at Nordstrom, a major U.S. retailer; *** Numbers were expected to grow as a result of multi-year contract with New Belgium Brewing Company.
Source: Company documents.

EXHIBIT 2: DETROIT BIKES'S ESTIMATED AND PROJECTED INCOME STATEMENTS, 2014–2016 (IN US\$)

	Single Bike	2014	2015	2016
Revenue				
Bikes Sold/Year		1,000	3,500	4,500
Bike Sales *	\$ 699.99	699,990	2,449,965	3,149,955
Expenses				
Costs of goods sold (current)	\$ 150	150,000	525,000	675,000
Costs of goods sold (projected)	\$ 100	100,000	350,000	450,000
Wages (including benefits)	\$ 531	531,400	1,859,900	2,391,300
General and Administrative				
Fixed salaries **	\$ 562,801	562,801	562,801	562,801
Utilities (per month × 12)	\$ 185,652	185,652	185,652	185,652
Insurance	\$ 722	722	722	722
Total Expenses: Current	\$	1,430,575	3,134,075	3,815,475
Total Expenses: Projected	\$	1,380,575	2,959,075	3,590,475
Net Income: Current	\$	(730,585)	(684,110)	(665,520)

Note: * Estimates do not include the C Type model, as the authors did not have sufficient information on its costs; ** The fixed salaries represented the salaries for the marketing department, the human resources manager, and the chief operating officer.
Source: Employee interviews and public documents.

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