

Cycles Devinci: Develop an Asia-Pacific Internationalization Strategy?

Case¹ prepared by Yves PLOURDE² and Yan-Raphaël ASPIROT³

Monday morning, April 30, 2018. After a relaxing weekend, Alain Pedneault, marketing director of Quebec bike manufacturer Cycles Devinci,⁴ was meeting with his team. When he announced the corporate objective of 20% annual growth for the next three years, the group's lighthearted banter quickly turned serious. Such an ambitious objective would require growth in all market segments. While it was true that Devinci had posted phenomenal sales growth for the past several years, the threat of new tariffs on exports to the U.S. could put a damper on sales.

While some in attendance were sceptical about Devinci's ability to meet this objective, Simon Brodeur, global brand manager for downhill and enduro bikes, was enthusiastic. He saw the Asia-Pacific⁵ market as a potential El Dorado: the company was already selling some 200 bikes a year there with no real strategy. Brodeur believed that, with sufficient investment, the company could triple this number. When he shared his idea with his boss, Pedneault replied, "I'll expect your proposal on my desk by Friday morning. Objective: 1,000 bikes sold annually in the Asia-Pacific region within three years."

The world bike market

In 2017, global bicycle sales were estimated to be more than \$45 billion, a number that was expected to surpass \$62 billion by 2024.⁶ Every country had a national brand that was struggling to make its way alongside the major international players. The sector included three types of company – those manufacturing bikes, those manufacturing parts and components, and those manufacturing accessories. The first category, which included Devinci, included builders that designed and manufactured their own frames and assemblers that subcontracted frame production and then designed and assembled bikes marketed under their own brand. Depending on the product, Devinci adopted both of those approaches.

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⁴ www.devinci.com

⁵ Asia-Pacific or Asia Pacific (APAC) is the part of the world in or near the Western Pacific Ocean. Because there is no clear definition of the Asia Pacific region, it varies by context. Generally, though, it is a term used to describe countries throughout East and South Asia, Southeast Asia, and Oceania.

⁶ Source: "Global bicycle market size in 2016 and 2024 (in billion U.S. dollars)", Statista.com, page visited March 15, 2018.

This division of markets and activities was largely the result of price pressures exerted by growing international competition. Historically, each country had supported the emergence of a domestic industry, but, during the 1990s and 2000s, many European and North American countries began to offshore production to Taiwan, then China, to benefit from low production costs.¹ Despite the unfavourable economic climate, the bike industry was run by dedicated enthusiasts who persevered despite the odds, often in niche markets. Canada was home to several specialized companies, including Argon 18 (road bikes), Cervélo (triathlon bikes), and Rocky Mountain (mountain bikes), as well as companies such as Norco, Devinci, Louis Garneau, which produced a wide range of products.

In 2018, the bike industry was fragmented. With their huge production capacity and vast distribution networks, multinationals such as Merida² and Giant Manufacturing³ made bikes to be sold both under their own banner and by other major brands. As a rule, North American and European manufacturers assembled their own bicycles but, with only a few exceptions, outsourced frame production. Some designed their own frames, but others just ordered bikes to be made according to their specifications, then added their brand name before selling them in stores. That was the case with Decathlon and Mountain Equipment Coop.

The positioning of major groups benefiting from economies of scale such as Giant and Merida affected the entire industry. Unable to compete with them on price, smaller companies focused on the quality of their bikes, brand loyalty, and superior service offered to retailers. Building brand awareness on social media played a key role in boosting on-line sales and recruiting retailers. Despite these challenges, more and more SMEs were trying to hold their own against mass producers on the international scene. That's what Devinci aimed to do.

Cycles Devinci

Cycles Devinci (originally “Da Vinci”) was founded in 1987 in the borough of Chicoutimi in Saguenay, Quebec, Canada, by Guy Ouellet, industrial designer, and Daniel Maltais, mechanical engineer. The company began by hand building aluminum bike frames sold to customers such as Douglas Cycles, in Toronto, and Pierre Hutsebaut, in Montréal. At that time, the company was known to just a handful of aficionados.

In 1988, the two founders met Félix Gauthier. His own bike having been damaged in a crash, Gauthier had contacted the two young entrepreneurs, who enjoyed an excellent reputation, to purchase a new aluminum frame. Two years later, Ouellet and Maltais approached Gauthier for help bailing out their struggling company. Aside from the two managers, the company had no employees at that time and no major clients apart from a few specialized retailers. Having just

¹ Many countries adopted anti-dumping measures, imposing tariffs on low-cost imported bikes. Canada imposed a tariff on bikes from China, for example. Such tariff barriers aim to protect local industries and companies. In practice, however, since most Canadian companies were unable to compete with large groups on price, these tariffs did little to support domestic production.

² Merida is a large Taiwan-based group that designs, manufactures, and markets bicycles in over seventy-seven countries.

³ With revenues of almost US\$2 billion and annual sales of more than \$6.6 million, Giant is the uncontested industry leader. It specializes in low-end bikes. Giant also has an extensive international sales force: <https://www.cips.org/supply-management/news/2016/january/secret-giant-is-worlds-biggest-bicycle-manufacturer-and-still-growing/>

received a small inheritance from his parents, Gauthier purchased a 50% stake in the company for \$50,000.

Under the new partner's leadership, the company's name was changed to Devinci, and bikes were marketed under that name. Having quickly identified production problems, Gauthier made the crucial decision to create a research and development department. By 1993, he was the company's sole owner and had intensified efforts to raise the profile of his bikes and increase the number of sales outlets. By the mid 1990s, the company had entered a period of strong growth, doubling its revenues each year. Once firmly established in Quebec, Cycles Devinci expanded its retail network throughout Canada, the United States, and Europe. By 2018, with eighty employees and a turnover of more than C\$20 million, Devinci was thriving in Canada and in several international markets.

Cycles Devinci: an extensive product line

Cycles Devinci covered many market segments. Its principal products included road, city, electric, and mountain bikes (see Exhibit 1). Devinci also supplied bikes for the BIXI bike-sharing system implemented by PBSC Urban Solutions in cities around the world, including Montreal, Chicago, Boston, London, and Melbourne. While these bikes were not marketed under the Devinci name, their robustness contributed greatly to the company's sales and international reputation.

Devinci products were distinguished by their aluminum frames. Aluminum is an inexpensive, rust-resistant metal offering several advantages over steel: its low density makes it lightweight, so more material can be used in frames, making them more shock resistant. Competitively priced aluminum bikes were thus superior to steel bikes.

Making bicycle frames out of aluminum was an obvious choice: Devinci was located in Saguenay, in the heart of what was known as Aluminum Valley.¹ Although Saguenay's position in the world ranking for aluminum production had fallen, it still accounted for 32% of Canadian production.² The region was home to a business cluster specialized in the manufacturing and processing of aluminum, including major corporations such as Rio Tinto Alcan, along with more than a hundred small aluminum processing companies. Devinci thus benefited from local expertise in processing its raw material.

Over the years, new carbon fibre-based products had entered the market. While more costly, carbon fibre bike frames offer two advantages over aluminum: they're lighter and, unlike aluminum, have no memory, so they're more resilient than aluminum frames, which weaken after every shock until their fatigue limit is reached. To ensure its competitiveness, Devinci adapted, adding carbon bikes to its product range.

The company's products covered all price points from low (up to \$1,000), medium (\$1,000 to \$4,000) to high (\$4,000 and up). Devinci bikes were known to be safe and reliable, and their praises were sung by U.S. and European publications. *Outside* magazine (readership 2.4 million) named its Spartan Carbon SX one of 2015's best bikes, and its Troy Carbon received the same rating in

¹ <https://promotion.saguenay.ca/en/choose-saguenay/nos-secteurs-cles/aluminum>

² Ibid.

2016. Still, the company had to keep innovating. “We must be constantly ready to react to market upheavals, new trends, and new practices,” affirmed Gauthier. “Nothing is written in stone.”¹

Research and development: the key to success

Its R&D activities were at the core of Devinci’s success. While aluminum frames were a given from the start, the use of that metal posed numerous challenges. In fact, the first frames it produced were of poor quality and broke easily: its heat treatment process – a controlled heating and cooling process to strengthen the metal – was imprecise. This damaged the company’s reputation, which was increasingly associated with weak frames.

To understand why its aluminum frames were breaking so easily, the company had to invest in R&D. It called on the assistance of Alcan’s Arvida Research & Development Centre (ARDC)² in Jonquière, another Saguenay borough, which quickly pinpointed the problem and proposed a solution: Devinci would have to purchase a new oven. But Gauthier’s initial \$50,000 investment was gone within six months, and the company didn’t have the \$80,000 needed to buy a new oven, so the partners set about the lengthy trial and error process of building one themselves.

In 1993, to improve its product design and prevent the recurrence of such reputation-destroying fiascos, Devinci opened its own R&D department. Once it had perfected the process of manufacturing aluminum frames, it turned its attention to the design of the bike itself. Devinci hired a team of engineers and forged close ties with both the ARDC and the University Research Centre on Aluminum (CURAL) of the University of Quebec at Chicoutimi (UQAC). Devinci’s R&D department studied the aerodynamics of cycling (achieving minimal air resistance) and improved its production process.

By 2018, the R&D department employed a staff of fifteen, including five full-time engineers. The company recruited many trainees from renowned engineering schools, including Sherbrooke University’s faculty of engineering and the École de technologie supérieure (a public engineering school in Montreal). In addition to research and development, this team conducted quality and safety tests. Devinci was uncompromising: all products, even those produced in Asia, had to meet the company’s standards.

Production

Internal production was limited to manufacturing some frames and assembling end products. Components such as wheels, derailleurs, pedals, and brake mechanisms were outsourced to suppliers such as Shimano in Japan and SRAM in the U.S. This was standard practice for bike manufacturers, although keeping frame production in Canada was not. The 2014 closing of Raleigh’s factory in Ontario³ allowed Devinci to call itself “the last mass producer of bikes in Canada.”

¹ <http://www.velomag.com/Rencontres/Felix-Gauthier-homme-derriere-Devinci>

² <https://alouquebec.com/en/member/ardc-rio-tinto-alcan>

³ <https://calgaryherald.com/news/local-news/how-devinci-the-last-canadian-bike-manufacturer-is-thriving-in-a-globalized-world>

Devinci's mid-range and high-end aluminum bikes¹ were manufactured and assembled entirely in Chicoutimi, accounting for 30% of all units sold. High-end aluminum frames were difficult to weld, requiring a level of expertise that few subcontractors could offer. "We've been building aluminum frames for a long time, and we found it hasn't been more cost-effective to produce overseas," explained a company spokesperson.² Welders required two years of training to be able to produce high-end aluminum frames, expertise that set Devinci apart from its competitors. This created a major challenge, however; the lack of skilled labour in this somewhat isolated region made it difficult to recruit competent welders. Improving processes to boost output and maintain quality standards without increasing headcount had thus become an obsession.

While the "Made in Canada" pledge stamped on its frames had some value, Pedneault knew Devinci's products had to be competitively priced. In-house production was thus limited to a few product lines. Components for high-end carbon bikes, accounting for 50% of sales, were thus produced by subcontractors in China, a country with significant expertise in this area. For quality control purposes, however, Devinci assembled all of these high-end bikes in Chicoutimi. Low-end bikes (20% of sales) also came from China and Taiwan, where their aluminum frames were manufactured and assembled. Manufacturing and assembling bikes in Asia allowed Devinci to reduce production costs and remain competitive for budget-conscious consumers.

The U.S. bicycle market was dominated by imported bikes. It was estimated that, in 2014, more than 99% were imported, primarily from China and Taiwan,³ but Gauthier viewed outsourcing to Asia as a last resort, even if that meant cutting into profits. Like Pedneault, Gauthier saw numerous benefits in domestic production, including the ability to control quality, react quickly to consumer demand, and innovate efficiently.⁴ It was these advantages that convinced PBSC Urban Solutions, distributor of the BIXI-type bike-sharing system, to continue working with Devinci rather than turn to a Chinese or Taiwanese subcontractor.

Sales, distribution, and promotion

Devinci's growth was closely linked to its 1991 decision to launch a new line under its own name. In 1993, the company created a distribution network to market its bikes. Gauthier criss-crossed the province to convince sporting goods stores to carry his products. Knowing that his efforts were undermined by the low quality of its early bikes, Devinci decided to offer a lifetime guarantee on its aluminum bikes, a guarantee of quality that was never changed. Gauthier worked hard to regain the trust of retailers, stressing the 1994 creation of an R&D department to enhance the quality of Devinci's products. After a few difficult years, the company had established a firm foundation in Quebec and, in the early 2000s, was ready to expand into the rest of Canada.

¹ This Pinkbike article explains Devinci's production process: <https://www.pinkbike.com/news/inside-devinci-a-canadian-success-story.html>

² <https://calgaryherald.com/news/local-news/how-devinci-the-last-canadian-bike-manufacturer-is-thriving-in-a-globalized-world>

³ National Bicycle Dealers Association: <https://www.nbda.com/articles/industry-overview-2015-pg34.htm>

⁴ Building integrated lights into the frame of the Newton model was an innovation inspired by the production of BIXI bikes, for example. Without close cooperation between the marketing, production, and R&D departments, this innovation could not have been incorporated so quickly.

Over the years, Cycles Devinci had developed a network of more than 200 retailers in Canada, 200 in Europe, and 150 in the United States. The company relied on a number of strategies to recruit and service retailers: these included direct representation by a team of Devinci employees and indirect representation by commercial agents handling several brands on a commission basis. Reporting to territory managers employed by Devinci, company representatives and commercial agents recruited retailers and provided customer service. To ensure timely delivery, Devinci's logistics department supplied retailers from rented warehouses in Montreal and Vancouver, Canada; Grand Prairie, Texas, U.S.A.; and Rotterdam, the Netherlands.

Cycles Devinci also entered into what it called "major" exclusivity agreements with distributors for specific territories, negotiated directly by management. These distributors assumed full responsibility for and all financial risks related to their territory, including recruiting retailers for promotional activities, providing customer service, and managing logistics and warehousing. In exchange, Devinci's primary responsibility was to honour contracts. With this arrangement, however, the company received a smaller return on its investment and was fully reliant on its distributors. The choice of intermediaries for this type of agreement was thus crucial.

Representatives, commercial agents, and distributors had direct contact with retailers, who were the company's link to customers. It was thus important to develop good relationships with all these stakeholders to communicate the features and advantages of Devinci products and receive customer feedback. Since order planning was generally done six months in advance, this network enabled the company to anticipate demand. Information supplied by retailers combined with the previous year's orders was used to adjust production to minimize unsold stock and avoid inventory shortages.

In 2010, Devinci created a marketing team to promote its brand and support retailers' efforts to sell its bikes. Led by Pedneault with the help of his brand managers, this team bore the heavy responsibility of developing and implementing the company's marketing plan. It produced all of the company's promotional material, managed its website and social media presence, created content outlining the features and advantages of its products, managed media and retailer communications, ensured the message sent to all markets was compatible with the company's brand image, and assessed market conditions to adapt supply to demand. It thus worked closely with production, R&D, and all partners involved in sales and distribution.

Thanks to all these efforts to establish its brand, Devinci sold more than 20,000 units in 2018: 4,000 low-end bikes and 16,000 mid-range and high-end bikes, not counting the BIXI-type bikes produced for PBSC Urban Solutions. While some bikes were sold on-line, the majority were sold by a vast network of dealers.

The highlights of Cycles Devinci's internationalization efforts¹

In the early 2000s, Devinci's initial foray into the United States ended in failure, due partly to the unfavourable exchange rate and to patent litigation preventing it from selling two popular Horst

¹ Some of the information in this section comes from the company profile published in the March 31, 2016, issue of the *Les Affaires* newspaper: <https://www.lesaffaires.com/strategie-d-entreprise/pme/conquerir-le-monde-en-velo-de-montagne/586429>

Link full-suspension bikes in the U.S.¹ In 2006, after losing more than \$1.2 million, Devinci withdrew from the market. Since the company imported many components from Asia and assembled its bikes in Canada before exporting them to the U.S., exchange rates could be problematic: production costs were in a combination of Canadian and foreign currencies, but sales were in U.S. dollars. Fluctuating exchange rates and the inability to sell its full-suspension bikes in the U.S. made it impossible for Devinci to compete with domestic manufacturers.

In 2008, the success of BIXI-type self-service bikes brought Devinci international recognition. Sales by PBSC Urban Solutions in Washington, London, Melbourne, Minneapolis, New York, and Boston introduced a new growth phase and a promising new revenue source. Building on that success, Gauthier planned to return to international markets.

In 2010, Devinci launched a new expansion project – to the United States in 2011, followed by Europe in 2013. Although this international expansion required investments totalling more than \$1 million to increase the productivity of the Chicoutimi factory and polish the brand's image outside Canada, the project was a success: between 2010 and 2018, the company doubled its sales. While exports accounted for less than 5% of sales in 2010, by Q1 2016, 55% of the company's sales came from outside Canada: 30% from the U.S. and 25% from Europe.

International promotion and expansion strategy

When planning its return to international markets, Devinci decided to focus on a single segment: mountain bikes. Its target market: consumers looking for mid-range and high-end bikes who were willing to pay top dollar for top performance. Devinci offered competitive products for all mountain biking riding styles: downhill, enduro, all-mountain, and trail.² Moreover, unlike in other market segments, such as road bikes, the weight of a mountain bike does not determine its speed, allowing Devinci to take advantage of its aluminum expertise. This is especially true for downhill bikes, where features such as comfort, robustness, and agility are highly valued, and gravity limits the advantages of lighter carbon bikes. The company could thus implement its philosophy of offering the fastest, but not necessarily the lightest, bikes.

In 2010, to raise its profile and support its expansion strategy, Cycles Devinci sponsored the Devinci Global Racing team in two World Cup circuits. This represented a major change in the company's promotion strategy, which had previously relied on word-of-mouth marketing (WOMM) based on the quality of its bikes and customer satisfaction. The company's investment in the team was limited to its operating costs, including those related to the bikes and the technical crew supporting the athletes. In addition to increasing the company's visibility, the sponsorship allowed Devinci to acquire valuable feedback about the bikes' performance and to improve their design.

The decision to invest primarily in mountain bikes thus appeared to have been wise. In 2017, the global mountain bike market was an estimated \$13.8 billion and was expected to grow at an annual

¹ <http://www.devinci.com/hello/114?rand=2325>

² The major differences between these products relate to the frame material, the geometry, the suspension platform, the wheel size, and the components. For example, enduro bikes, used for rougher terrain, have a full suspension, a longer wheelbase, and more robust components than do traditional trail bikes.

compound growth rate of 9.84% to almost \$16 billion by 2023.^{1, 2} To avoid past mistakes, Devinci now also used currency forward contracts to lock in exchange rates.

International sales and distribution

In addition to gaining international recognition, one of Devinci's major challenges was to create a distribution network in both the U.S. and Europe. Given its limited resources, the company decided to invest first in the U.S. and then in Europe.

In the United States, Devinci used its own network of representatives and commercial agents. Having learned valuable lessons from its first attempt to penetrate the U.S. market, its management team was confident it would have better luck this time. Its planned approach would be riskier but, if successful, promised a better return on investment. To coordinate inventory and provide retailers with products, the company worked with a logistics agent in Grand Prairie, Texas, where it rented a warehouse. The agent offered a turnkey service, handling everything from import procedures to bike delivery. Sellers could thus reduce their in-store inventory while still having rapid access to the bikes needed to meet customer demand.

In Europe, Cycles Devinci adopted a mixed distribution strategy: some markets were served by representatives and commercial agents, while others, particularly in Great Britain, were served by distributors with whom it had signed exclusivity agreements. While this second approach was less costly, it also reduced profits. Moreover, the signing of distribution agreements created additional intermediaries, making the company dependent on partners to represent it in host countries. Finding trustworthy, reliable partners was thus crucial, requiring several time-consuming meetings between the company and proposed distributors. A disappointing experience with a distributor in Italy – who required special attention, insisting on multiple face-to-face meetings that Devinci could not hold – highlighted the disadvantages of this type of collaboration.

The use of representatives and commercial agents facilitated the process of retailer recruitment, giving the company better control over its brand. It thus favoured this approach for European markets offering strong potential. To support its sales team, Devinci rented a warehouse in Rotterdam, the Netherlands, and hired a logistics agent to run it. The Port of Rotterdam acts as the external border of the European Union, which means that, after clearance in Rotterdam, freight can travel freely through the EU member states and retailers pay customs duties and taxes only at the final destination. This offers attractive cash-flow advantages and greatly simplifies the work of retailers. Moreover, import headaches were handled by the logistics agent and, by using its own network of representatives instead of a distributor, the company enjoyed higher profit margins.

Between 2011 and 2016, Devinci's sales force jumped from eight to forty-four, while the marketing team formed to support the brand's international development grew from one to seven. Bike sales were still closely linked to the performance of the company's racing team, however. In 2013, Canadian downhill rider Steve Smith won the overall World Cup series aboard a Devinci Wilson

¹ <https://www.prnewswire.com/news-releases/global-mountain-bike-market-report-2017---forecasts-to-2021-300561046.html>

² Philip M. Parker, *INSEAD*, copyright 2017, www.icongrouponline.com

Carbon,¹ an achievement that facilitated the recruitment of retailers and drove sales of the Wilson, made available to the general public in 2014. Sadly, Smith's 2016 death in a motorcycle accident ended the team's activities in 2017, temporarily reducing the brand's visibility. In 2018, the team, composed of French, American, and Slovenian athletes in the downhill division and French and New Zealand athletes in the enduro division, resumed its activities.

Should Asia-Pacific be next?

Brodeur believed the Asia-Pacific region was a hugely promising market for Devinci. In 2018, the World Cup circuit held new events in China and Thailand (Exhibit 2), creating new markets for its bikes. The Asian demand for mountain bikes was estimated at almost \$5 billion that year, more than 36% of world demand. Oceania² was a smaller market, with an estimated demand of \$188 million. In comparison, the European market was \$3.06 billion, and the North American market, \$2.99 billion.³ According to Technavio, a leading market research company with global coverage, beginning in 2017, the mountain bike market was expected to grow by 14.4% annually in the Asia-Pacific region.⁴

Devinci bikes were clearly generating interest in the Asia-Pacific region. Devinci was making on-line sales to customers there, and since such sales entailed high shipping costs, import duties, and long delivery times, they indicated real enthusiasm on the part of customers. The company was also approached by distributors in China, Japan, Hong Kong, and New Zealand, and several distribution agreements had been signed, to be renegotiated annually. Brodeur wasn't sure how to integrate all these details in his proposal, but he knew management would have lots of questions, especially since the president himself had negotiated and announced those agreements.

Like Pedneault, Brodeur had helped to create the brand and formulate the marketing campaign for the company's expansion into the United States and Europe. He clearly recalled the difficult choices that had been made, including the initial decision to go international and the choice of distributors. He knew he would have to prepare a strong case to convince his superiors to invest in this next phase.

Brodeur decided to limit his proposal to the two most popular lines: downhill (the Wilsons) and enduro (the Spartans). There were four Wilson models (one carbon and three aluminum) and twelve Spartan models (eight carbon and four aluminum). Their prices varied from C\$3,999 to C\$10,699, and they all used the full-suspension Split Pivot technology patented by Devinci.

Brodeur thought it would be wise to focus on the most promising markets to clearly demonstrate the region's potential and the project's feasibility. He first established a minimum estimated demand of US\$20 million, thereby restricting the proposal to high-potential markets. He then compiled information about the fourteen countries meeting that criterion. Some general

¹ <https://web.archive.org/web/20130927085934/http://www.uci.ch/Modules/ENews/ENewsDetails2011.asp?id=OTYzNw&MenuId=MTY1OTg&LangId=1&BackLink=%2Ftemplates%2FUCI8%2FLayout%2Easp%3FMenuId%3DMTY1OTg%26LangId%3D1>

² Oceania is a geographic region including Australasia (Australia, New Zealand, and some neighbouring islands), Melanesia, Micronesia, and Polynesia.

³ Parker, op. cit.

⁴ Ibid.

information was related to population size, per capita income, and ease of doing business (Exhibit 3). Mountain bike-related data concerned competitors (Exhibit 4), estimated demand, number of kilometres of biking trails, and import tariffs (Exhibit 5). Recalling the difficulties encountered in Italy and those raised by other potential distributors, Brodeur also compiled data about cultural distance (Exhibit 6).

Brodeur believed that entering the Asia-Pacific market would serve Devinci's interests better than would expanding into the United States or Europe. And it would give him a chance to make his mark: he would be in charge of the project's implementation, leading to extensive travel and increased responsibilities. He just had to figure out which country to target and convince Pedneault and other members of the management team to conduct a more detailed analysis of those markets. The race against the clock had begun!

2019-10-08

Exhibit 1 Product lines (2018)

ROAD



Models (prices):
Sylvesterstone (aluminum)
(C\$999)
Leo (carbon)
(C\$1,999)
Hatchett (aluminum and carbon)
(C\$1,299 – C\$3,999)

CITY AND BIKE PATH



Models (prices):
Milano/Oslo/St-Tropez
(C\$549 – C\$1,049)
Cartier (aluminum)
(C\$759 – C\$1,399)
Hex (aluminum)
(C\$999 – C\$1,549)

ELECTRIC



Models (prices):
Urbain (aluminum)
(C\$3,499 – C\$3,599)
E-all Mountain (aluminum)
(C\$6,799 – C\$8,299)
E-Enduro (aluminum)
(C\$6,999 – C\$8,499)

Downhill



Models (prices)
Wilson Carbon
(C\$3,999)
Wilson (aluminum)
(C\$4,599 – C\$7,999)

MOUNTAIN BIKES Enduro



Models (prices)
Spartan (aluminum)
(C\$3,999 – C\$4,799)
Spartan Carbon
(C\$5,399 – C\$10,699)

All Mountain and Trail



Models (prices)
(aluminum and carbon)
Kobain (C\$1,599 – C\$1,999)
Django (C\$3,499 – C\$9,999)
Troy (C\$3,799 – C\$10,599)

Source: www.devinci.com

Exhibit 2

Mountain bike races in Asia-Pacific (2018)

Country	Date	Event
Australia	January 13–14	XCO National Series
	January 20–21	DHI National Series
	January 27–28	XCO National Series
	February 3–4	DHI National Series
	February 22–25	Australian National Championships – XCO-XCE
	March 2–4	Australian National Championships – DHI
	March 24–25	XCO National Series
	April 12	2018 Gold Coast
	April 27–29	Australian National Championships – XCM
	October 13–20	Crocodile Trophy
China	November 5–11	UCI Urban Cycling World Championships – MTB World Championships – Eliminator (XCE)
Hong Kong	July 15	Hong Kong National Championships – XCO
Indonesia	July 17–22	Indonesian National Championships – XCO-XCE-DHI
	August 4–5	76 Indonesian Downhill 2018 #2
	August 20–21	18th Asian Games 2018, Jakarta – Palembang
	Sept. 22–23	Indonesian Downhill 2018 – TREK ID #3
	Sept. 28–30	Asia Mountain Bike Series
	October 13–14	76 Indonesian Downhill 2018 #4
	October 20–21	Asia Mountain Bike Series
	November 3–4	76 Indonesian Downhill 2018 #5
Japan	May 12–13	Asia Mountain Bike Series – Japan Cup MTB
	May 26–27	Japan Cup Fujimi
	July 22	Japanese National Championships – XCO – XCE
	August 12	Japan Cup Hakuba International
	September 30	Japan Cup Misaka International
	October 7	Asia Mountain Bike Series
Malaysia	July 27–29	Malaysian National Championships – XCO/XCE/DHI + Asia Mountain Bike Series
	Nov. 10–11	Asia Mountain Bike Series – Siol International Challenge XCO – DHI
	December 8–9	Asia Mountain Bike Series – Tambunan
New Zealand	February 9–11	Oceania Continental Championships – XCO – DHI
	February 23–25	New Zealand National Championships – XCO – DHI
	March 22–25	Crankworx Rotorua Downhill
Philippines	March 9–11	Asia Mountain Bike Series – Timberland International Mountain Bike Challenge
	May 2–6	Asian Continental
	June 9–10	Philippines National Championships – XCO – DHI
Singapore	July 21–22	Singapore National Championships – XCO – XCE – DHI
Thailand	October 28	UCI MTB Eliminator World Cup – XCE – City Mountain Bike

Source: <https://www.uci.org/mountain-bike/calendar>

Exhibit 3

General information about Asia-Pacific countries

Country	Average income per capita ¹ (US\$)	Median income per capita (US\$)	Population ¹ ('000)	Ease of doing business ²	Trading across borders ³	Enforcing contracts ⁴	Official language: English
Australia	54,230	47,300	24,772	14	95	3	Yes
China	8,250	3,627	1,415,046	78	97	5	No
South Korea	27,600	19,600	51,164	4	33	1	No
Hong Kong	42,940	37,171	7,429	5	31	28	Yes
India	1,670	1,331	1,354,052	100	146	164	Yes
Indonesia	3,400	1,514	266,795	72	112	145	No
Japan	37,930	33,200	127,185	34	51	51	No
Malaysia	9,860	5,110	32,042	24	61	44	No
New Zealand	38,640	41,100	4,750	1	9	56	Yes
Philippines	3,580	1,423	106,512	113	99	149	Yes
Singapore	51,880	37,884	5,791	2	7	42	Yes
Taiwan	9,646	2,699	23,694	15	55	10	No
Thailand	5,640	3,923	69,183	26	57	34	No
Vietnam	2,060	2,244	96,491	68	94	66	No

Source: www.worldbank.org

¹ Compiled based on national statistics for each country, the **average income per capita (US\$), median income per capita (US\$), total population, and official language** come from the World Bank.

² Developed by the World Bank, the “**ease of doing business**” score is based on 11 indicators, including trading across borders, enforcing contracts, starting a business, dealing with construction permits, protecting minority investors, getting electricity, resolving insolvency, paying taxes, and getting credit. The economies of 190 countries are ranked (from 1 to 190).

³ The **trading across borders indicator** evaluates the time and cost (excluding tariffs) associated with the logistics of exporting and importing a shipment of goods.

⁴ The **enforcing contracts indicator** measures the efficiency of the judicial system in terms of resolving commercial disputes. It takes into account the time and cost for resolving a commercial dispute through a local first-instance court and the quality of judicial processes. The indicator evaluates whether each country has adopted a series of good practices promoting quality and efficiency in the judicial system.

Exhibit 4 Presence of competitors in Asia-Pacific countries

Company (Price range)	Australia	China	South Korea	Hong Kong	India	Indonesia	Japan	Malaysia	New Zealand	Philippines	Singapore	Taiwan	Thailand	Vietnam
Cannondale (C\$1,900 – 10,500)	✓ 2	N/A	✓	✓	✓ 30	✓ 29	✓ 31	✓	✓	✓ 7	✓ 12	✓	✓ 27	✓
Devinci (C\$1,599 – 10,699)	8	✓ N/A	✓	✓ 15	✓ 35	✓	✓	✓	✓ 4	✓ 26	✓ 24			36
Kona (C\$1,799 – 4,999)	✓ 8	✓ N/A	✓		✓ 19		✓	✓	✓ 1	✓	✓			
Giant (C\$3,280 – 11,000)	✓ 1	✓ N/A	✓ 34	✓ 16	✓		✓	✓ 21	✓ 2	✓ 6	✓ 8	✓ 23	✓ 36	✓
GT (C\$1,799 – 4,999)	✓ 2	✓ N/A	✓	✓	✓ 9	✓ 26	✓ 27	✓ 14	✓ 1	✓ 6	✓	✓	✓ 19	✓
Merida (C\$4,000 – 9,500)	✓ 3	✓ N/A	✓	✓ 13	✓ 34	✓ 31	✓	✓ 21	✓ 1	✓ 9	✓ 10	✓ 25	✓ 28	
Santa Cruz (C\$2,540 – 7,700)	✓ 5	✓ N/A	✓	✓		✓ 15	✓	✓	✓ 2	✓ 9	✓	✓	✓	
Specialized (C\$4,200 – 11,150)	✓ 5	✓ N/A	✓	✓ 34	✓	✓ 39	✓	✓ 29	✓ 1	✓ 19	✓ 15	✓	✓	✓
Trek (C\$5,999 – 7,299)	✓ 2	✓ N/A	✓ 39	✓ 31	✓ 43	✓ 40	✓ 45	✓ 33	✓ 6	✓ 20	✓ 8	✓ 42	✓ 32	✓
Yeti (C\$4,799 – 9,499)	✓ 3	✓ N/A	✓	✓		✓ 8	✓	✓	✓ 1	✓	✓	✓		

Sources: Data collected July 20, 2018, from company websites and Google Trends.
N.B. First line indicates whether the company is present in the country. Second line indicates the company's international search ranking based on number of Google searches for the company's name. China uses other search engines, so is shown as N/A.

Exhibit 5

Estimated demand and other data for Asia-Pacific countries

Country	Estimated demand ¹ (US\$M)	Import tariff ² (%)	Number of ski resorts ³	Number of trails ⁴	Kilometres of trail ⁵	Google searches ⁶
Australia	161.08	5	17	6,907	14,117 km	2
China	2,216.07	13	13	10	34 km	N/A
South Korea	269.21	13	19	118	204 km	N/A
Hong Kong	61.65	0	0	20	53 km	N/A
India	807.93	30	10	27	177 km	N/A
Indonesia	210.20	0	1	154	663 km	36
Japan	761.16	0	543	44	118 km	N/A
Malaysia	85.63	0	3 (indoor)	155	219 km	17
New Zealand	21.94	5	32	3,214	9,447 km	3
Philippines	74.86	15	0	81	400 km	6
Singapore	55.13	0	1 (indoor)	4	19 km	10
Taiwan	149.26	6	1	50	303 km	N/A
Thailand	108.81	1	1 (indoor)	55	205 km	34
Vietnam	58.71	5	0	11	N/A	N/A

¹ **Estimated demand** is the latent demand for mountain bikes. Latent demand is the estimated market potential based on population size, median income per capita, number of retailers, and other indicators used to determine market size over the medium and long term. It does not take into account the competition, the type of product, or the current market size. Those figures are unavailable. Estimated demand was calculated by Philip M. Parker, INSEAD (source: www.icongrouponline.com).

² **Import tariff** is the tariff imposed on the product category (87.12) by the importing country. The data is based on the national statistics of each country as compiled by Export Development Canada (source: email communication, July 2018).

³ Data re **number of ski resorts** is from the Snow-Forecast website (source: <https://www.snow-forecast.com>).

⁴ Data re **number of trails** is from the Trail Forks website (source: www.trailforks.com).

⁵ Data re **number of kilometres of mountain bike trails** is from the Trail Forks website (source: www.trailforks.com).

⁶ **Google Search** data provides the country's international search ranking based on number of Google searches for "mountain bike." This data was retrieved from Google Analytics on July 20, 2018. N/A means that the data was not available.

Exhibit 6

Cultural distance

Country	Power distance ¹	Individualism/collectivism ²	Masculine /feminine ³	Uncertainty avoidance ⁴	Long-/short-term orientation ⁵	Indulgence/restraint ⁶
Canada	39	80	52	48	36	68
Netherlands	38	80	14	53	67	68
Italy	50	76	70	75	61	30
Australia	36	90	61	51	21	71
China	80	20	66	30	87	24
South Korea	60	18	39	85	100	29
Hong Kong	68	25	57	29	61	17
India	77	48	56	40	51	26
Indonesia	78	14	46	48	62	38
Japan	54	46	95	92	88	42
Malaysia	100	26	50	36	41	57
New Zealand	22	79	58	49	33	75
Philippines	94	32	64	44	27	42
Singapore	74	20	48	8	72	46
Taiwan	58	17	45	69	93	49
Thailand	64	20	34	64	32	45
Vietnam	70	20	40	30	57	35

Source: <https://hofstede-insights.com>

¹ **Power distance:** acceptance of power being distributed unequally among individuals

² **Individualism/collectivism:** degree to which the individual is more important than the group or vice versa

³ **Masculine/feminine approach:** degree to which a society focuses on competitiveness and power relations (so-called masculine society) or harmony and consensus building (so-called feminine society)

⁴ **Uncertainty avoidance:** degree to which a society can accept uncertainty or ambiguity

⁵ **Long-/short-term orientation:** degree to which a society encourages efforts to prepare for the future (long-term orientation) or perceives time as circular: what you can't do today can be done tomorrow (short-term orientation)

⁶ **Indulgence/restraint:** degree to which a society is permissive, valuing leisure and entertainment (indulgence), or is regulated by strict social norms