

COMPONENT BRANDS ARE DRIVING THE GROWTH FOR E-BIKES.

How Ingredient Branding can help component manufacturers to extract more value from their innovations by transforming their technologies into brands.

A BRAIND® Whitepaper

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What is inside?

Propulsion systems are driving the buying decision for E-bikes. Which other components might influence the buying decision of e-mobility means of transport in the future?



Source: BikeExchange.co.nz

1 First generation Component (Ingredient) Brands like Shimano, SRAM, RockShox, Fox or Magura have already become recognized marks of quality for the conventional bike sector. A bicycle fitted with a Shimano drivetrain is immediately associated with a certain quality by customers worldwide and is a significant influencer of the buying decision for a new bike.

2 Now the performance, quality and brand positioning of the propulsion system are significantly influencing the purchase decision of E-bikes. Component Brands like Bosch, Brose, Shimano, Yamaha and others are dominating the conversations at retail level and the propulsion system fitted to the bike might just be the decisive factor for the purchase of a new E-bike.

3 Consequently, manufacturers of key components for E-bikes without a clear Ingredient / Component Branding strategy are falling behind and are in risk to reach a competitive position. They potentially face price pressure and loss of margin, as consumers are demanding their components of choice from their favorite bike brands.

4 Driven by urbanization and other megatrends, e-mobility solutions including E-bikes pedelecs, scooters, boards and cars will continue to grow. People are looking for e-mobility solutions to complement or replace their current vehicle fleets with environmental friendly and efficient means of transport.

5 Other relevant components like the source of energy (ethical batteries?), the navigation system of the driverless car (who is driving me?), the chassis structure (clean carbon?) might influence the buying decision for such new vehicles in the future.

6 Therefore producers of such components have to consider how to engage directly with consumers in order to activate the pull-function on their component and to establish a relationship beyond the sheer performance of their product.

The evolution of E-bikes

Electric bicycles (E-bikes) managed to take a significant part of the bicycle market share in the last 5 years. Interestingly that trend was **originally driven by the silver generation** and not like usually, by early adopters from younger generations. But now, E-bikes became a fashionable, high quality and distinct asset of modern society and today one out of three bikes sold in Europe is an E-bike!

In this Whitepaper we'll break down the current development of the E-bike market through the lens of Ingredient Branding and discover vital steps that component manufacturers can use in order to scale-up their position in the supply chain. We will also take a look on how the E-bike customer journey has changed and prove that the ingredient is becoming the trigger for the buying decision in favor of the final product.

Ingredient Branding

Ingredient Branding is about creating a brand for an ingredient or a component of a product to project a certain quality or performance of that ingredient. This is typically done via a Multi-Level Marketing effort in order to create visibility, awareness, differentiation and preference in the downstream value chain. Examples in the bike market are Shimano or SRAM drivetrain, Bosch propulsion system for E-bikes and Rockshox or Fox for suspension systems. Other well-known Ingredient Brands are Intel® for processors or Gore-Tex® for protective fabrics. Ingredient Branding is typically vertically orientated and a long-term orientated partnership program.

Co-Branding

Co-Branding is defined as the combination of two brands to create a unique product offering. The purpose of Co-Branding is to capitalize on each brand to enhance the performance or attractiveness of the final product. The main difference to the definition of Ingredient Branding is the fact, that Co-Branding is a horizontal orientated cooperation, where two distinct brands, that also can be bought separately, cooperate in a joint marketing program. Co-Branding activities have more a promotional character and are short- to mid-term orientated.



Source: Brose

Trends to watch

E-Bikes are becoming a part of a modern lifestyle as a daily means of transport by making the ritual journeys cheaper, faster, easier and as well healthier. They have also established their place in tourism, where they fill capacities in spring and autumn, helping mountain resorts to extend beyond their core summer and winter seasons.

Here are few trends and insights from the market:

Electric bicycles are already the number one selling electric vehicles in the world.

According to a Persistence Market Research (PMR) report on bike-eu.com, E-bikes will become the leading segment of the global bicycle market until 2024 and are expected to account for over 38% share of the market in terms of value. During this time, the E-bike segment is foreseen to reflect a CAGR of 4%, to reach a market valuation of US\$ 24.43 Billion.

The European Commission imposes up to 83% provisional anti-dumping duties on E-bikes imported from China, while U.S slaps a 25% tariff on the same product.

Governments have imposed regulations to reduce emissions and an increasing number of consumers are switching to electric vehicles such as E-bikes that are pollution-free and keep the environment clean.

Consumers see the branding of critical components such as propulsion systems from Bosch, Shimano or Yamaha as a quality upgrade, quality seal and an important signal for the selection of their new E-bike.

What do you think?

“The brand of e-components is more important to consumers, than that of the e-bike.”

Yes - 67.32%

No - 32.68%

source: bicle.com

The online e-mobility dedicated platform Bicle.com shows that for 67% of consumers the brand of e-components is more important than the brand of the E-bike.

Source: SRAM

Proven by research

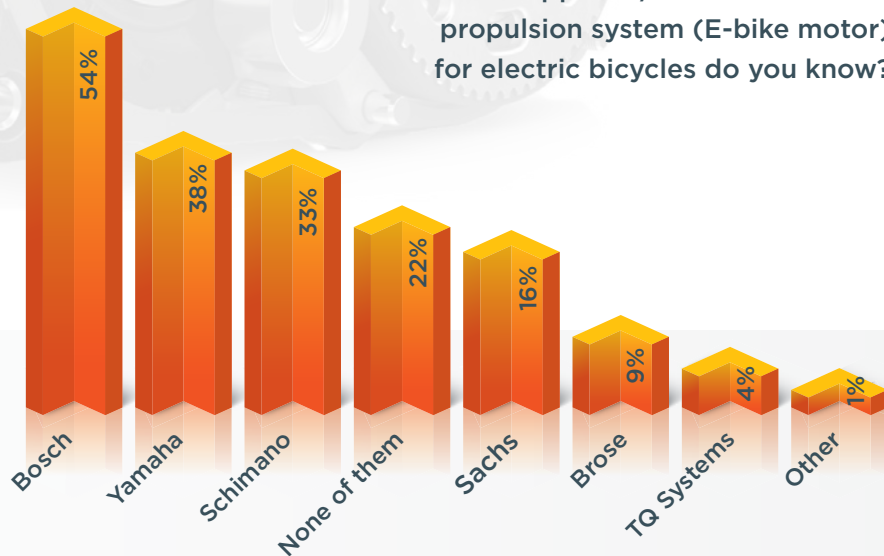


In November 2018 we conducted our own research with 200 consumers in Germany. **74%** of responders say that it is (very) important for the propulsion system to come from a well-known supplier. When it comes to brand awareness, the leader was **Bosch with 54%, followed by Yamaha (38%), Shimano (33%), Sachs (18%) and Brose with 9%**. The high percentage score for Sachs shows that the brand

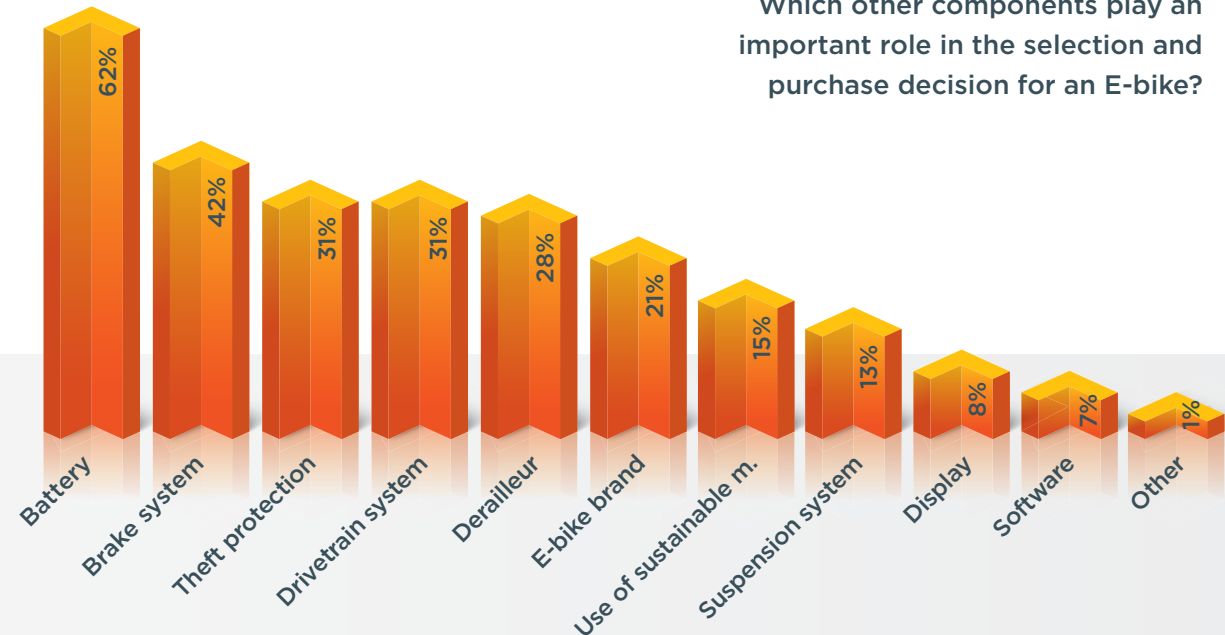
can still leverage on their historical brand equity built in the past century. It will be interesting to see how the newly found Sachs Micro Mobility will be able to transfer this into their new offering for E-bikes. Besides the propulsion system, other components play an important role in the purchase decision for E-bikes: **62% pointed out the battery, 42% the brake system and 31% voted for theft protection.**

Source: Brose

Which suppliers / manufacturers of propulsion system (E-bike motor) for electric bicycles do you know?




Which other components play an important role in the selection and purchase decision for an E-bike?



Proven by research

Another data point is a readers' survey conducted by the well-known platform ebike-mtb.com. They asked 10,622 riders from 79 different countries and the outcome shows, that the territory of propulsion systems in the eMTB segment has been staked out by the big brands. **Bosch** remains by the far most popular with **46%**, **Yamaha and Brose** are second with **18%**, followed

by **Shimano** with **13%** market share. They also asked the readers about their most favorite brands. The results for **Bosch** are in line with their market share at **45%**, while **Shimano's** brand preference is with **21%** higher than their current market share. **Brose** is following with **18%**, while **Yamaha** got **10%** and **TQ 2,5%**.



It is therefore clearly proven, that consumers demand specific propulsion system brands at retail level. As a result, E-bike customers have completely different shopping habits compared to people looking for conventional bikes.

Source: Brose

Customer Journey is changing

E-bike prospects have a different set of shopping habits. Through the digital self-service in the early phases of the funnel, consumers are already influenced via several channels, making them aware and familiar with certain technologies and respective brands. At the consideration stage, Ingredient Brands promise a level of quality that is already well-known to consumers. A specific propulsion system adds so much value to the finished product that the Ingredient is the most relevant part of the buying decision. Other factors like the E-bike brand, availability, color, price and the second layer of Ingredient Brands like derailleur, drivetrain, brake and suspension systems only come into play after the customer has already preferred a propulsion system.

The relatively low cost of entry for a digital communications strategy allows Ingredient Brands to establish their brand positioning and awareness. Bosch has developed a communication strategy helping end users to experience and discover new mobility in a digital format with the interactive E-bike range assistant and rich video content using social media. The brand also provides tutorials on service tips, safety, and inspiring lifestyle videos.

Best practice

TQ-Systems presented at the 2018 Oktoberfest the M1 Spitzing Evolution bike equipped with their most powerful eMTB motor in the famous attraction Pitt's Todeswand, an 8-meter-high cliff face wall and one of the big spectator magnets. Great guerilla marketing concept for earned & shared media!

Suppliers who want to influence consumers' shopping habits in the future will have to come up with their own (digital) brand and communication strategy focused on the B2C sector to not fall behind.



Source: TQ-Systems

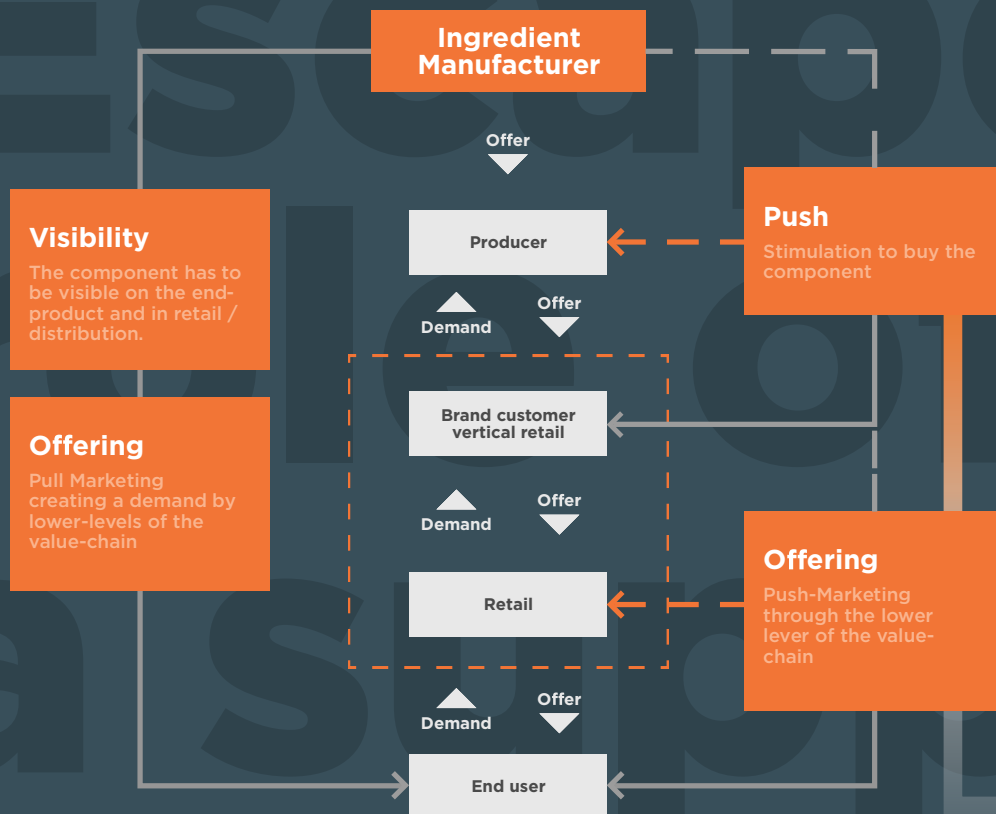
INGREDIENT BRANDING:

Escape the role of being a supplier

The vast majority of companies today are not able to adequately convey the entire value they are creating for their respective value chain. They are often locked into their role of an anonymous supplier.

The value and contribution to the finished product is often unknown to most market participants or only to their direct customer line. Therefore they are often exposed to the “Lopez-effect”; named after the once famous Head of Purchasing at Volkswagen, who was known for his merciless negotiations with suppliers. Price & margin pressure, unfavorable payment terms and exchangeability as a supplier are the economic consequences. Not a great position to be in.

On the other side, in the digitized world, companies will be increasingly less capable of developing and marketing all the required key technologies themselves. They will be forced to look for external innovation in order to open-up new markets and to increase agility and resilience. Businesses who do not develop their own brand profile and communicate their innovation beyond their direct customer line in the best possible way, risk losing revenue and influence on the end clients’ shopping habits.



BRAIND's Ingredient Brand Model

Ingredient Branding provides a valid Brand & Business model to escape from this unfavorable position in the supply chain. The fundamental principle of it is to apply a Multi-Level Marketing Model. Well-orchestrated brand activation through a content-driven communication strategy can increase the strength of the Ingredient Brand to create the necessary pull-effect.

What's next?

S*ustainability and ethical production methods are gaining massively in importance with the conscious consumers.*

In a research BRAIND conducted with 1800 consumers in the D/A/CH region, 93% considered that Ingredient Brands representing a certain business standard, a sustainable or ethical production, a certification or a secure transaction will be more important to them in the future.

In some industries like Fashion we can already see a shift from performance driven first generation Ingredient Brands towards primarily purpose driven next generation Ingredient Brands.

This trend provides a big opportunity for component manufacturers to add another important layer to their positioning and communication. ***In addition to their product innovation and performance elements, they can deliver authentic stories about their production methods or their recyclability or reusability.*** For the E-bike sector, this could be an ethical or sustainable battery production or the application of “clean or recycled carbon” as a material for frames.

Remember, 62% of consumers in our research mentioned that the battery plays an important role in the selection and buying decision for an E-Bike!



Source: Bosch

Final thoughts

21st-century mobility

More and more countries in Europe are committed to develop a strong infrastructure. **Consumers are looking for e-mobility solutions to complement or replace their existing vehicle fleets.**

We learned that E-bike buyers are demanding specific Component Brands as they look out for quality, performance, assurance and good service.

Ingredient Branding offers a great opportunity for manufacturers of e-mobility solutions to inform consumers about the benefits their components are delivering to the final product.

That will enable them to take a stronger position in the supply chain and to become a partner instead of just being an exchangeable supplier. Meaningful communication concepts placed at the relevant touch-points of the customer journey can help to create a consumer pull for the component

at retail level, online and offline. That pull motivates the middle stages of the value chain to use this ingredient and improves the position of the supplier.

The key question to successfully establish an Ingredient Brand is, **how much increased value can a product, component or service add to the finished product.** As mentioned before, relevance might not be found only in the performance area, but also in soft factors such as attitudes, transparency or sustainability efforts. What makes a component relevant for the buying decision of the final product differs from product to product, from category to category and this leaves the door open for new component manufacturers, material companies, battery producers or software developers across all e-mobility segments. **The cards are being reshuffled.**

About Us



BRAIND® is the only brand management consulting firm specialized in the development, enhancement, regeneration or transformation of Ingredient Brands.

We are operating globally out of Munich, Germany and Ljubljana, Slovenia with a strong network of Ingredient Brand Experts in all areas of Brand Building and execution.



If you want to discuss with us opportunities to establish an Ingredient Brand for components you supply to the e-bike or e-mobility market, please contact us:

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Source: Haibike

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