

AMERICA'S 105 LEADING 3PLs

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# Global Trade

THE MAGAZINE FOR U.S. COMPANIES DOING BUSINESS GLOBALLY

WHAT PEDEGO'S ELECTRIC BIKE EXPORTS TELL US ABOUT

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◀ "I'll ship anywhere if you have the money."

- DON DICOSTANZO

CEO, Pedego Electric Bikes

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"It's all been organically. We didn't solicit anyone. I wanted to make the best electric bike in the United States only. That's all we had ever set our sights on."

- Don DiConstanzo, CEO of Pedego Electric Bikes on international growth.

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The must-know, fun-to-read facts about **AMERICA'S LEADING 3PLs** and the services that will propel your company to the next level.

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A 100-year-old foundry is breaking the mold and proving **THE REVOLUTION WILL BE IN 3D** and bring American manufacturing back to America.

# THE EASE OF PEDDLING PEDEGO

**GLOBAL CONSUMERS GET A CHARGE OUT OF THIS U.S. COMPANY'S ELECTRIC BIKES** By Matt Coker

**“FUN IS A UNIVERSAL LANGUAGE,”** SAYS DON DICOSTANZO, A BIG, UPBEAT GUY who seems to embody the word “fun” in his casual camp shirt bearing the logo of Pedego, an Irvine, California, electric bicycle company he owns and co-founded in 2008.

Pedego, whose motto is “Hello, fun ...,” now reaps 22 percent of its revenue from international sales due to the pleasure of riding partly battery powered bikes in bright colors and designs that evoke the California beach lifestyle. You will find brand new Pedego bikes being sold in the United Kingdom, Ireland, France, Italy, Mexico, South America, South Africa, Australia, New Zealand, Russia and the Middle East, though the company only ships to Canada directly from the States.

Asked his secret to the spreading across the globe, DiCostanzo shrugs his shoulders and says, “It’s all been organically. We didn’t solicit anyone. I wanted to make the best electric bike in the United States only. That’s all we had ever set our sights on.”

DiCostanzo gives the Internet and social media credit for his company’s “robust” growth at home and away. Via an iPad or other device, anyone can go to the main Pedego website or those of distributors abroad and essentially build one’s own bike by choosing a style and the colors of the frame and wheel rims. Online videos of the bike in motion also help seal the deals.

That’s how Daniel Robinson found Pedegos. He was selling bikes in the United Kingdom in 2010 when he contacted DiCostanzo about distributing the bikes there. “My main attraction was the style and color choices available,” says Robinson.

“I said, ‘No, we’re not interested,’” DiCostanzo recalls telling Robinson. The Brit then asked if he could come to California for a visit, arriving over Thanksgiving weekend 2010, which still gives DiCostanzo a laugh given the American holiday’s roots. Once stateside, Robinson figured out that DiCostanzo would sell anyone bikes and not stop them from re-selling them. “It was no downside to us,” DiCostanzo recalls.

Robinson took two home and, based on the reaction in the U.K., he next bought an entire shipping container full of Pedegos that arrived directly from the manufacturer in Shanghai. Now director of London-based Pedego Electric Bikes-Europe, he has put bikes in shops in France, Spain, Portugal and Italy. “Instead of *ped-ah-go*, it’s pronounced *ped-ay-go* in Italy,” DiCostanzo explains. “A lot of people think it’s Italian.”

Others elsewhere across the world followed by accepting the same conditions Pedego imposed on Robinson. The American company only accepts U.S. dollars, requires payment up front and uses only its



**THUS SPOKE DiCOSTANZO**  
"We didn't solicit anyone," says Pedego founder Don DiCostanzo, who notes the company's impressive growth has all been organic. (Left to right: Don DiCostanzo, Tom Bock, Pedego director of operations)



**“I would tell jokes and they would look back at me with stone faces. They are serious about business.”**

own U.S. bank for transactions. Bikes are shipped directly to international destinations from the same Shanghai plant that makes the Pedegos bound for North America. It's up to the customers to deal with the logistics issues, and many have their own customs brokers who work directly with the Chinese. The Pedego mothership in California bears no shipping costs or customs duties and the flurries of faxes that accompany such transactions do not clog the machine in Irvine.

There have been no hurdles for the Shanghai manufacturer because, according to DiCostanzo, 99 percent of the bicycles and bike components of the world are already made in China, including those of Japan's Shimano and Taiwan's Giant. All shipping is done by ocean and then, once on land, by truck.

Given to frequent belly laughs, DiCostanzo did discover on his initial trips to Shanghai that the Chinese businessmen he met were “not prone to kidding. I would tell jokes and they would look back at me with stone faces. They are serious about business.”

He credits his extensive international trade experience with forming his current laissez-faire attitude. Fresh out of California State University in Fullerton, he took an entry level sales job in 1979 with Wynn's, the friction proofing oil company whose logo has been affixed to hot rods and racing cars for more than half a century. He rose to become something

of a trouble shooter for international clients whom he would keep in contact with after he became Wynn's president in 1999.

“I traveled to 83 countries around the world,” DiCostanzo says. “It was a fascinating experience.” He recalls after landing in Kuala Lumpur being greeted with fanfare from a large marching band. That's because no Wynn's president had ever before visited the company's

office in the capital of Malaysia. His big takeaway about international clients and consumers? “They respect American companies.”

Before Pedego, he had a traditional bicycle sales and rental shop in Newport Beach, California. He would pedal a bike down a steep hill to work which meant he had a grueling trip back home every night. That convinced him to investigate electric bikes for his customers and himself. They were an immediate hit with everyone—except DiCostanzo, who found the earlier generations of electric bikes ugly with uncomfortable seats. Despite his pleas to manufacturers, none would create a frame that resembled the bikes of choice along the California coast, the beach cruiser.

“I got tired of fighting,” DiCostanzo says, “so I decided to start my own company.” He explained what he was looking for in an electric bike to his old pal Terry Sherry, who had built bikes from scratch with his father since he was a kid. Pedego co-founders Sherry and DiCostanzo's first bikes were electric beach cruisers sold in 2009 (as were Robinson's the following year). Go into a Pedego shop now and you'll see those as well as city commuter and mountain bikes in an array of frame and wheel rim colors. Platforms behind the cushy Pedego seats—where you strapped in your books or gym bag back in the days you pedaled to school—all have black, rectangular, slide-out boxes,

otherwise known as the cases for the lithium batteries.

Handgrips are spongy and the bike frames are thick, sturdy and heavier than those on most non-electrics. Rather than identifying frame types by male or female, Pedego uses “classic” for the traditional men's set-up, where a bar extends from roughly behind the handlebars to just below the seat, and “step-thru” for the more down-swooping bar on women's bikes. DiCostanzo says he knew from his bike shop days that some men prefer the ease of stepping through while some women appreciate the extra feeling of support a classic affords. The “Boomerang” is a recently added line that radically swoops that support bar down to around the height of the pedals, which is especially helpful for older folks or those recovering from leg injuries who find even the step-thrus difficult to step through.

Indeed, DiCostanzo's bikes are geared toward older riders who are more likely to pony up the \$2,500 to \$3,200 asking price. That obviously makes them more expensive than the Huffys at Target and much less pricey than high-performance racing bikes. But the company is finding more people who wouldn't be biking are doing so with electrics—and that they ride them more often than people their ages with non-electrics.

While DiCostanzo is letting the world come to Pedego (instead of the other way around), there have been some bumps in the road. Robinson notes the U.K. requires mudguards (or “fenders,” as Yanks know them) on all bikes. “In the USA the cruisers were and still are provided without fenders,” he says. “We are not blessed with the California climate.” Pedego also had to tweak the power system because European laws impose a 250-watt limit on the lithium batteries as opposed to 750 watts in the States. Also, European electric bikes must be pedal assisted, while in the U.S. they have a throttle next to the right-side handlebar grip. But this was no big deal because the Shanghai plant was already used to the specifications of the massive European

bicycle market, explains DiCostanzo, who notes all other international destinations are fine with the U.S. versions of his bikes.

“Our main issue right now is our exchange rate to the dollar,” says Terry Gormley of Pedego South Africa. “The bike sells itself from the styling to the quality and the reliability. With the Pedego bike goes the incredible backup that Pedego USA gives us. Having this backup makes it a lot easier for me to give my personal guarantee. Because this type of product is new in the marketplace, people are wary of outlaying this type of money not knowing what the backup will be like.” Adds Matt Fisher, who has also been selling the bikes in South Africa since Gormley introduced them, “The South African Rand has weakened considerably since our first container.”

It’s a double whammy for Robinson. “Dealing with a Pan-European market coupled with a USA supplier, in Pedego LLC, is the challenge of exchange rates,” Robinson says, “not only between the pound and the dollar, but the pound and the euro, which is used in many of our export markets. The euro is currently significantly less in value than it was 18 months ago.”

Many Pedego websites include buttons that link to details about battery recalls, which Fisher says had him spinning his wheels. “It has cost us quite a bit of time and money to resolve which we weren’t quite prepared for,” he concedes. “However, we know

that the Pedego customer *has* to be delighted with his electric bike and have always made a point to sort them out first and foremost, sometimes stripping new bikes while we wait for replacement parts to be shipped. Again, without any unhappy customers.”

But neither South African is shying away. “Opening up your own stores I feel is the way to go, so we are on a drive to find like-minded people to join us in opening stores around the country,” says Gormley. “This is a long-term business plan so good things do take time and effort. Our projected growth we are pushing for is 30 percent

based on our currency being where it was a year back. We are hoping for a recovery by the end of this year, all things going well.”

Mike Clyde of Pedego Canada figures he had two advantages over his counterparts across the Atlantic Ocean: proximity to California and the brand already having a presence due to the few electric bikes that crossed over the border. He’d been involved in electric bike distribution since moving to Canada from New Zealand in 2010, and he already knew of Pedego through its web presence. A year later, his brother, an electric bike designer and distributor



HELLO, FUN  
The California lifestyle, embodied by the bright colors of Pedego’s electric bikes, has been a major draw for international consumers.

**RIDING HIGH**  
DiCostanzo and Pedego partner Tom Sherry have enjoyed the luxury of international distributors approaching them for partnerships, and have found consumers in 12 foreign countries so far, accounting for 22 percent of their sales.



## SOUTH AFRICAN CLOTHING EXECUTIVE TERRY GORMLEY HAD HIS

nose affixed squarely to the grindstone a few years back when his wife informed him he barely had time to have a relationship with his daughter Tyla and that he'd better bond with the 20-year-old immediately lest he lose her forever.

Gormley asked Tyla where she would like to go for a father-daughter vacation, and she answered California. While beach bumming it along the sunny California coast, they wandered into the Pedego shop in Newport Beach, where they rented a tandem electric bike. Riding around the beach turned out to be the best day of the vacation up to that point, so when Gormley asked his daughter the next morning what she wanted to do that day, Tyla replied, "Let's rent the tandem again." The father was hoping she'd say that.

"When I saw the Pedego electric bike for the first time, I knew that this was the way forward," Gormley says. "After riding the bike itself and a tandem bike with my daughter and also experiencing it for myself, it was a done deal. Three hours later, riding along Balboa Island and around Newport, we had not even broken into a sweat. This was truly a new experience for me and Tyla."

His mind soon filled with ideas on how to make it an experience for his countrymen as well. "I'm always up for a challenge as long as the product fit is something I believe in," Gormley says. "After chatting to the rental store owner about getting the [distributor] license for South Africa, and wanting to buy the same bike I had just ridden, he told me to call a chap called Don."

That would be Pedego owner and co-founder Don DiCostanzo. "I called Don right away to inquire about these fantastic bikes. It was no problem for Don to get the bike wrapped up and sent off to South Africa so this is what we did."

"I'll ship anywhere if you have the money," DiCostanzo recalls of the transaction with a laugh. It cost \$900 to get the bike to South Africa within 60 days, but DiCostanzo told Gormley it would be 90 days just in case an unexpected delay popped up. The tandem arrived in 35 days, and DiCostanzo still remembers Gormley's excited call to say how thrilled he was it showed up early. He also asked if anyone was selling Pedegos in South Africa. There wasn't then but there is now.

"After the bike arrived in South Africa, people were asking me all the same questions that I asked Don. I decided to get in around 12 various bikes to test the market in South Africa and within three months, I knew this product was a fit for the South African marketplace. The rest is history."

Three years after ordering his first container of Pedego bicycles, Gormley represents the No. 1 electric bike brand in South Africa, and he's now contemplating spreading deeper into the African continent.

"The people in our country are cycle crazy and it's one of the fastest growing categories in our country right now," he says. "If I could get this product into the minds of the less fit person who is really wanting to ride but thinks of the hills he needs to conquer, then I'd have a good business. The terrain is very similar to that of California and the weather is more or less the same, so if I was able to get the right person to ride the bike, I'd see the smile on their face wanting one."



## POWERFUL BRAND

Matt Fisher, a South African distributor of Pedego bikes, cites the company's strong satisfaction policy: "The Pedego customer *has* to be delighted with his electric bike and have always made a point to sort them out first and foremost."

in New Zealand, introduced an expansion-minded Clyde to DiCostanzo, knowing that Pedego was looking for a Canadian partner.

"Obviously taking on a new brand as a distributor is a big commitment and I certainly did my due diligence," Clyde says. "I think one of Pedego's biggest strengths is that they understand being successful is not just a matter of creating a great product, although that certainly helps. Pedego's brand is very strong. I would guess if you asked a bunch of people in North America to name an electric bike brand, Pedego would come out right at the top."

"Not only that, it is very hard to find negative feedback about Pedego bikes, and the positivity about customer service and support is huge. Basically, I decided they had all the pieces of the puzzle together, and most importantly it was underlain by a huge passion about how great electric bikes are. I think the driving force or motivation behind a business is one of the key factors linked to success. If you are doing it to 'jump on the bandwagon' or for monetary reasons alone, the

odds of success drop."

Each international distributor interviewed for this story shared a passion for electric biking over profits, something DiCostanzo says he has also noticed among attendees at annual conferences he throws that bring Pedego distributors from around the U.S. and the world to California. (December's will be in Palm Springs.) "I am in this business for people who are passionate about the product: electric bikes," he says. "If someone is just in it to be in the business, how are you going to find good people? They have to come out to you."

Count Clyde among them. "The electric bike market is incredibly exciting to be involved with at the moment. It feels we are at some kind of tipping point where the bikes have just started to enter the mainstream. If we look to how things have evolved overseas, it is only going to get more exciting."

While getting the world on his bikes was not the initial goal, DiCostanzo understands the appeal. "Everyone wants to have fun. Everyone loves riding bikes. It's like I always say: 'Wipe that smile off your face.'" ■