Case study: Canyon, The German Pirate Revolutionizing Cycling

Canyon evolved from a bike store founded in 1985 by Roman Arnold, who just like his father imported bike parts from Italy to resell them in Germany. After making the decision to create a new bike brand named Canyon, the company developed from a mail-order business into an online pure-player. Shortly after, in the late nineties, e-commerce made its entry into European households, which gave Canyon a true first-mover advantage.

Arnold's focus has since been on a close connection to the rider and the cycling community, which made him eager to provide the best bike possible. It was only after he proved successful in doing this that the decision was made to sell abroad. "People started requesting our bikes in other countries," explains Frank Aldorf, "we started off in France and Italy, and today we sell in 104 countries. The desire to create the best bikes possible fueled Canyon's success to become a European business and finally a global brand." Canyon operates 19 local offices with customer support and technical services to support its busiest markets on the ground. The decision to open local service centers was based on the market's strength. Customers in all other countries must connect with the headquarters in Koblenz when they have a problem, and also ship their returns to Germany. Germany, France and the UK- which has been seeing a huge rise in cycling through the successes of the famous Sky Team- are the largest sales markets for the cycling brand, followed by Italy and Spain.

The first-mover mentality and online DNA clearly provide a competitive advantage in a sector where more and more brands are now starting to adopt multichannel marketing and direct-to-consumer strategies in addition to traditional sales channels. "People were telling Canyon it's impossible to sell bikes online. We have proven everyone wrong. The business model has worked for us for a long time now, and we have gradually built up an expertise in running an online business. For others to add an online channel is not that easy, everyone must find their own way," says Aldorf. "Canyon has a unique business model, which has given us a great advantage, but others are catching up fast. In the beginning, people thought we were destroying local bike shops by cutting out the middlemen. But that's no longer the case, we weren't trying to destroy anything – we were just the first to do this."

Today, Canyon boasts the lightest mass-produced bike, as well as the fastest. Since then, the group and its engineering army has become a patenting machine, earning several prizes in the specialized press. Design, quality and prices between in the 499- to 8,499-euro range are the brand's three main features.

The German company sells its bikes for about 30% less than its main competitors. In terms of quality, the products are comparable. It's as if a car company started selling Audis for the price of a Logan. "This is the bike everybody dreams of at a price which most people can afford," employees like to stress.

Questions

1. What is Canyon's competitive advantage?
2. Does Canyon implement any B2B marketing?
3. What are the entities that are part of Canyon's supply chain?
4. How can Canyon sell its bikes for 30% less than its main competitors?
5. Given Canyon's business model, what do you think are Canyon's main challenges? And why?
6. Think about the STP (segmenting, targeting, and positioning) process we discussed in class.
    a. Which segmentation strategy (geographic, demographic, etc.) is Canyon likely to use? Why?
    b. Which targeting strategy (undifferentiated, differentiated, etc.) is Canyon likely to use? Why?