

United Kingdom market analysis for Mihatra E-Bikes

Final Project



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Executive Summary

This export marketing plan will identify the British E-bike market for Mihatra BV, a medium sized Dutch producer of E-bikes. The objective of the plan is to find out what the best market positioning and marketing would be for Mihatra in the United Kingdom. The central research question is therefore: *How can Mihatra E-bikes best be positioned and marketed in the UK market?*

Mihatra is a company positioned in the middle of the E-bike market with affordable pricing and a good quality. They want to accompany this with better service than competitors, which they can achieve because they produce all E-bikes themselves. The UK offers some great opportunities for this company because of its sheer size, proximity and government promise to invest big in cycling as a mode of transportation, for which an E-bike is especially well suited due to the hilly British landscape.

The external analysis points out that the government enthusiasm comes from the belief that cycling can kill two birds with one stone. While public health is always a concern, the first solution would be to obesity and a lack of exercise, which have proven a more structural problem in the UK. Related to this health problem is the increasing pressure on the government health budget. By encouraging citizens to cycle and stay fit, the government hopes to be able to cut health costs. The second is the problem of traffic congestion, caused by the growing number of cars and continuing urbanization. Related to this problem is the environment, with cars heavily polluting inner cities.

The average British customer, however, is used to buying very low priced bicycles at the local supermarket, not considering them not a mode of transport. In sharp contrast to this is the sporty, male, cyclist that rides an expensive mountain or racing bike and spends hundreds of pounds per year on maintenance and repairs, he is a true sportsman.

Because distributors of E-bikes are numerous in the UK, the report concludes that it would benefit Mihatra to position itself as a premium E-bike producer rather than a middle-segment brand. Dutch cycles are held in high regard, and in combination with a sound marketing strategy built around the large number of bicycle events in the UK, this would offer the best prospect for Mihatra's future sales. Their target customer should be the wealthy pensioner who rides for leisure and comfort, and is willing to spend money on maintenance and repair.

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Introduction

This export marketing plan will be about electric bicycles in the UK, specifically those produced by Mihatra BV, a Dutch company. The plan will try to ascertain what the best approach would be for Mihatra to enter the British market with regards to their market positioning and their marketing. The question that was distilled from this problem is: *“How can Mihatra E-bikes best be positioned and marketed in the UK market?”* In order to be better able to answer the main question, several sub questions have been identified and will be answered during the report. The following sub questions have been formulated:

- What merits Mihatra’s decision to access the UK’s E-bike market?
- What are the main relevant trends in the UK E-bike market?
- What is the main perception of an E-bike by the average UK cyclist?
- What are some of the main competitors of Mihatra that are already present in the UK market?
- How are E-bikes normally distributed in the UK E-bike market?

A lot of the information used in the report will be gathered by the author at the UK’s biggest cycling exhibition, the Cycle Show 2013, which takes place in Birmingham, UK. This experience is then backed-up by a wealth of information obtained through thorough desk research. Important resources will be Mihatra itself, the *“European Bicycle Market & Industry Profile - Edition 2012”* written by COLIBI/COLIPED and *“The British Cycling Economy”*, written by Dr. Alexander Grous of the London School of Economics.

The report has been structured based on the market export plan frame that is described and discussed in the three following books: *The Marketing Plan Handbook* by Marian Burk Wood, *Export Management, a European Perspective* by Dr. J. Veldman and *“Zo maak je een Exportplan”*, also by Dr. J. Veldman. The report will start out by establishing the position and identity of Mihatra as it is, then continue on by identifying why the UK market is relevant to Mihatra. An important part of the report will look at the current UK cycle industry, before moving on to a customer analysis, a competitor analysis and a distribution analysis. Finally there will be a marketing mix and a conclusion to the report specifying an answer to the main research question.

Mihatra company description

Mihatra is a Dutch SME based in Eindhoven, in the South of The Netherlands. It was founded with the intention to build affordable yet high quality E-bikes and sell these as a wholesaler to bicycle dealers and stores throughout the Netherlands. As of 2013, Mihatra has already expanded its activities to Belgium, Germany, France, Spain and the UK. It is now looking to expand in the UK. At the moment Mihatra works exclusively through dealers, partnering up with local bike shops in order to distribute their products.

Rather than just approach bicycle stores, like all other producers of E-bikes do, one of the ways that Mihatra tries to introduce its clients to their product is by actively contacting bicycle rentals. Mihatra want their customers get to know their product while relaxed and having fun. As they found out, the bicycle rental market in Holland is fairly crowded, therefore shifting to other European markets like Belgium, Greece and Spain to sell their product.

Mihatra company history

Mihatra is, like the e-bicycles market itself, a relatively young company, started in 2006 by Dennis Neyndorff and his partner Harry. Initially the company focused solely on the production of superior E-bikes, but over time Mihatra has grown out to become an international business with dealers and partners throughout Europe.

Mihatra company mission, vision & goals

The vision of Mihatra BV is to be a company positioned in the middle of the E-bikes market that earns trust from not only their customers, but also their suppliers. Their mission is to achieve this vision by providing high quality e-bikes that come with a high level of service, while labeling pricing as being of tertiary importance. They also value themselves as being an open and honest company to both customers and suppliers.

Interesting to note here is that Mihatra gives a 'vision' on their website that is not technically a vision in the marketing management sense, but is rather more how they would view themselves:

"Mihatra electric bikes want to contribute to a healthier and cleaner world, responsible business activity is important to us. The electric bike makes it possible to cycle faster, further and more frequently. The e-bike market is growing stimulated by awareness about the health

and environmental benefits. Electric cycling is a simple and affordable alternative to the car.”
(Mihatra BV, n.d.)

One of the most important goals of Mihatra, which is part of the reason for this export marketing plan, is to expand their business to neighboring markets and expand profits by making use of their Dutch activities as a launching pad for business in the UK, Belgium, Germany, etc. An important factor in this will be their intent to grow organically, rather than inorganically.

Product range description

The entire product range of Mihatra consists of electric bicycles. Regular bicycles have never been part of the range for various reasons, the most prominent being the fact that Mihatra designs and builds all their bikes themselves, specializing in electric bikes. Mihatra has a comparatively wide range of products. Even though many producers of regular bikes in The Netherlands have ranges far outnumbering the collection of eleven Mihatra bikes, but very few direct competitors offer the same amount of diversity in the available number of e-bikes. Every model has its own technical specifications that accommodate the needs of a different type of end-user.

The names of the nine different Mihatra models are:

- **E-Costa (£ 1,335):** Simple E-bike, not many extra features, easy to get on because it has lowered tubes in the middle of the bike. Also features easy controls.
- **E-Playa (£ 1,435):** More advanced gears and has roller brakes, requiring less maintenance.
- **E-Glider (£ 1,335):** More compact Mihatra E-bike that makes storage and parking easier.
- **E-Bird (£ 1,435):** Bicycle meant for ladies that comes with a dress guard, which is not a standard feature on Mihatra E-bikes.
- **E-Guapo (£ 1,360):** Sporty looking men's bicycle.
- **E-Luna (£ 1,335):** Lower and smaller sized bike for people that are not very tall.
- **E-Paso (£ 1,485):** Very sporty and light bicycle that features an LCD display.
- **E-Viva (£ 1,525):** One of the more luxurious models, featuring an LCD display, bicycle lock, dress guard and USB charger for phones or GPS systems.

- **E-Cono (£ 1,620):** Luxurious model built to require as little maintenance as possible. Features a closed chain case, maintenance free Nexus 7 gears, maintenance free roller brakes, bicycle lock, dress guard, LCD display and USB charger. The most complete and thus expensive bike Mihatra offers.
- **E-Centro (£ 1,335):** is only distributed in The Netherlands, a lightweight bike with a strong 250W motor but very few extra features. Not allowed in the UK.
- **E-Tico:** is only distributed in The Netherlands, an electric folding bicycle.

Market Positioning

In accordance with the mission framework of Mihatra, the market positioning of the company in both the UK and the Netherlands can be described as follows (Mihatra BV, n.d.):

1. Who are being satisfied?

The electric bikes of Mihatra appeal to various customer groups that are interested in various different features of the bike. Customers who do buy a Mihatra bike will need to have a budget fairly big for a bicycle, or fairly small for a car. They will also have a need of the added comfort/ease-of-use of the bicycle or require it for its very large operational range in comparison with normal bicycles. Typically, these groups would be the elderly or disabled and commuters or travelers.

2. What is being satisfied?

Mihatra E-bikes satisfy the need for transportation in an environmentally friendly, healthy and, in comparison to cars, cheap way. When compared to regular bicycles, some consumers will see their need for a more comfortable ride fulfilled, where others are looking for the longer distances that an E-bike can cover.

3. How are the consumers' needs satisfied?

The main element that satisfies the need of the customer is the small electric motor that is (usually) integrated into the bicycle frame. The motor can either enhance the energy output of the cyclist or, in some cases, propel the bike without the need to pedal. The small motor gives the bike a very smooth and comfortable ride, making it possible to pedal very lightly even when going uphill. Additionally, it allows the cyclist to go much faster and further while using the same amount of energy as on a normal bicycle.

United Kingdom Market Selection

Mihatra has already opted for the United Kingdom. In the following chapter we will discuss why the United Kingdom is the right way forward for Mihatra.

Mihatra as a company is already represented or doing business in the following countries: The Netherlands, Belgium, Germany, France and Spain. Because Mihatra is an SME and does not have the internal capability to export to nations outside of Europe, countries that are not in (Western) Europe have not been considered for this market selection.

List of eligible Western European countries, countries that Mihatra is represented in have been marked bold: Andorra, Austria, **Belgium**, Denmark, Finland, **France**, **Germany**, Greece, Iceland, Italy, Ireland, Liechtenstein, Luxembourg, Malta, Monaco, Norway, **Netherlands**, Portugal, San Marino, **Spain**, Sweden, Switzerland, United Kingdom

Country	Market Size	Market Proximity	Language Barriers	Per Capita Income	Organizational Support	Total
Andorra	5	3	3	1	0	12
Austria	5	4	2	2	1	14
Denmark	5	2	4	1	0	12
Finland	5	5	5	3	0	18
Greece	3	5	5	5	1	19
Iceland	5	5	5	3	0	18
Italy	1	3	3	4	1	12
Ireland	5	4	2	1	1	13
Liechtenstein	5	3	2	1	0	11
Luxembourg	5	2	2	1	1	11
Malta	5	5	5	5	1	21
Monaco	5	4	2	1	0	12
Norway	5	3	4	1	1	14
Portugal	4	5	4	5	1	19
San Marino	5	4	3	1	0	13
Sweden	4	3	4	2	1	14
Switzerland	5	3	2	1	1	12
United Kingdom	1	2	1	4	1	9
	1= very positive	1= very positive	1= very positive	1= very positive	0= not present	
	5= very negative	5= very negative	5= very negative	5= very negative	1= present	

Market Size

One of the most important factors of a market is its size: how many potential customers reside within a specific market. The United Kingdom ranks very high in this list, being the 3rd most populous country in Europe with almost 65 million inhabitants. The only countries

ranking higher than the UK in terms of population are Russia and Germany, with respectively 150 million and 85 million inhabitants.

Population size is important when considering a market because it limits the total volume of sales. Even when a company will never sell its product to every citizen in a country, if your product appeals to 30% of the market, this means a considerably larger market when selling to the UK rather than to Sweden, for example.

Market Proximity

Market proximity, or physical distance between the two markets, is important because it will directly affect the ability of the company to manage its operations and transportation costs. The closer a country is, the cheaper the transportation costs and the easier it becomes to maintain solid lines of communication with operations in that country, as well as service and repair. A company that has service and repair in high regard, like Mihatra, can do so much more comfortably if they are close the market they serve. Sending over spare parts and expertise is much less difficult.

Language barriers

Language barriers are always a factor in any business export decision. When dealing with a nation that has a mother tongue that is infrequently spoken, such as Icelandic, communication with these countries will then be considerably more difficult. The fact that these countries might have a good command of a more frequently spoken language as a second language is paramount if you wish to do business there at all.

Per Capita Income

The amount of money that people earn and have to spend is an important number when a company is interested in exporting its goods. Especially E-bikes, a relatively expensive product, are heavily impacted by the purchasing power of the target customer. The UK's nominal GDP per capita, for instance, is almost \$40,000 according to the World Bank, whereas the GDP of Portugal is only just over \$20,000. In comparison, the GDP per capita for Luxembourg is extremely high, standing at well over \$110,000 per Luxembourger (International Monetary Fund, 2014).

Organizational Support

The amount of support that a company receives from third parties when they start doing business in that country. Obvious examples would be embassies, but more important are specialized trade consultants and promoters, such as the Italian Chamber of Commerce of the Netherlands British Chamber of Commerce. The experience and connections these organizations have in the country of choice can greatly benefit companies and spur their growth in the new market.

Ease of doing business

The World Bank ranks every country annually by their ease of doing business. This list is publicly accessible and can be found online. In the top 10 of 2014, there were three countries from Western Europe, namely Denmark (5), Norway (9) and the United Kingdom (10). In the same top 10, only three countries have a population of 50 million people or more, and consequently have a large and interesting market size: The United States (350 million, 4th place), The United Kingdom (65 million, 10th place) and South Korea (50 million, 7th place) (The World Bank, 2013).

The complete top ten economies by ease of doing business as calculated by the World Bank:

1. Singapore
2. Hong Kong Special Administrative Region, China
3. New Zealand
4. United States
5. Denmark
6. Malaysia
7. Republic of Korea
8. Georgia
9. Norway
10. United Kingdom

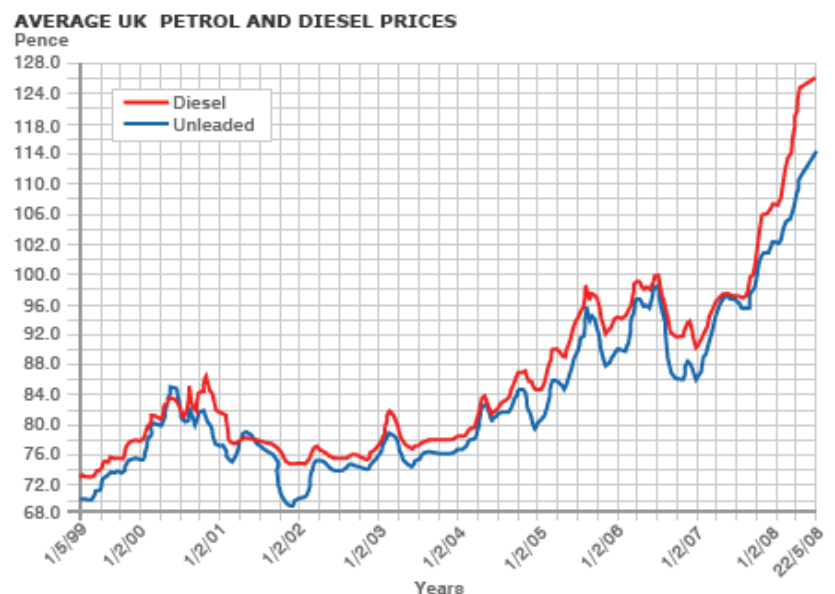
British Cycling industry overview

The British cycling market has a unique history. The UK saw a large and fast growth of cyclists in the opening years of the 20th century. The large, fairly poor bottom of the population that couldn't afford a horse but was still interested in traveling fast through towns and small regions propelled the bicycle industry to great heights. This fast paced growth proved to be deceiving, however, as the development of the car and its subsequent cheap production virtually collapsed the market for cyclist within a decade after World War 2. It was only by the nineteen seventies that Britons started to ride bicycles again, mainly as a form of sport.

Over the span of the next thirty years, the British cycling industry grew into a small, but very solid niche market. The average cyclist became a middle aged, white male from the middle or upper class that would go cycling at least once a week, either alone or together with friends. These consumers will often ride very expensive bikes that are carefully maintained by their owners. This sort of cyclist has come to dominate the image of the bicycle and the cyclist over the years, causing consumers outside the penetrated market to view cycling as a sport for older men, and cycling as something done for leisure.

By the turn of the century, things were beginning to shift once more. There are many factors that influenced this change in dynamics, the most important of which are the heightened environmental awareness, the constantly rising fuel prices and, after 2008, the sharp economic downturn and following financial problems for many consumers.

The green revolution has had a very big impact on almost all large western economies. The realization that planet earth is in serious peril has inspired consumers to pay more attention to how environmentally friendly products are. The automobile, the original replacer of the bicycle in the early 1900's, has taken a



SOURCE: Experian Catalyst

Table 1: Average UK fuel price 1

particularly large amount of criticism. Exhaust fumes containing high levels of CO₂ are counted as a main cause for global climate change. On top of that, the prices of fuel have been rising steadily, as pictured in table 1 (BBC News UK, 2008). This table shows that the average prices have nearly doubled between 1999 and 2008. This means that diesel, while only 73 pence in 1999, had risen to a comfortable 126 pence seven years later.

The resistance to this increase in price might have been mitigated when the incomes of consumers had risen accordingly, but the disposable income of average Britons has taken a sharp blow due to the global economic crisis that hit in 2008, a blow that we can clearly see in table 2 (Ward, 2011).

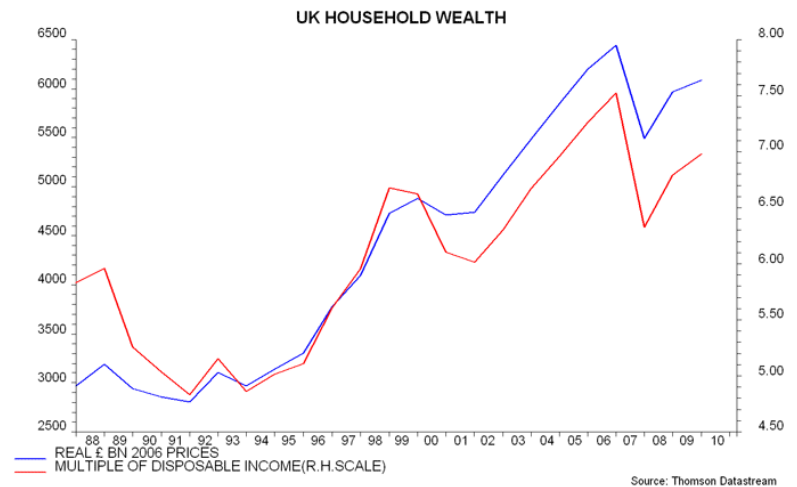


Table 2: UK household wealth 1

Aside from these factors, the British government has also decided to commence large scale promotion of the bicycle as a means of transportation that is both cheap, environmentally friendly and healthy. This recent government push for more extensive use of the bicycle has been relatively successful. Especially the mayor of London, Boris Johnson, has been a major proponent of getting around by bike, stating: *"if we can get Londoners on to bikes, we can take the pressure off public transport, we can reduce traffic and I believe we can help people to be fitter, calmer, less hassled and to enjoy the glories of the city in a way that is different every day"* (Walker, 2013).

Some of the bigger projects supported or completely set up by the government are the Barclays Cycle Hire program in London, the Sky Ride events, the "Love Cycling, Go Dutch" campaign and the "Cycle to work scheme". All of these activities have had the promotion of cycling in the UK as their primary goal.

In 2013, total UK bicycle sales had grown by 14% compared to the year before, totaling £745 million of bicycle sales in the UK. (Harker, UK bike sales grow 14% to £745 million, 2014)

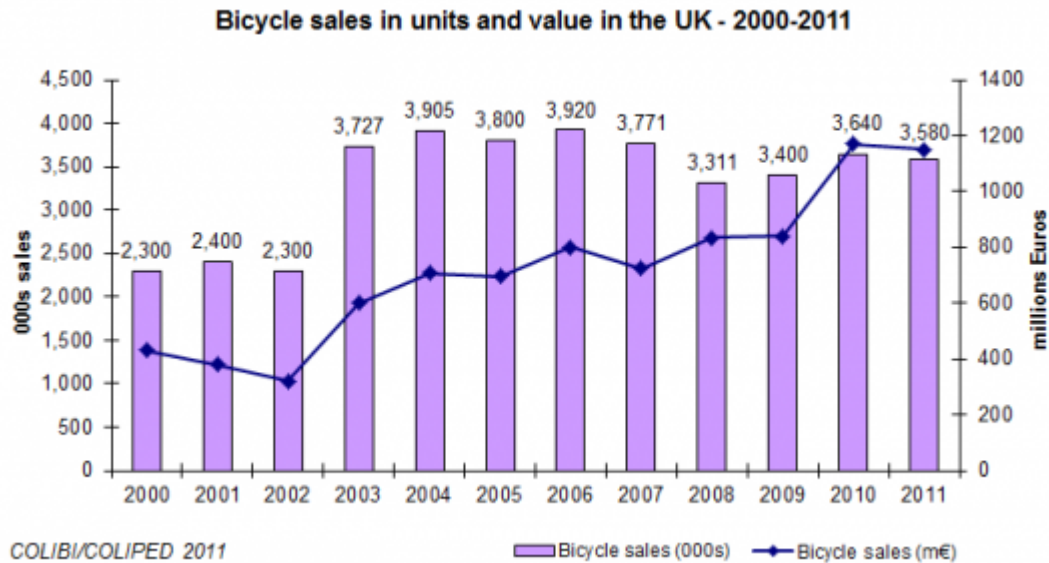


Table 3: UK bicycle sales in units 1 (COLIBI/COLIPED, 2011)

In table 3 we can see that over the last fifteen years the bicycle sales trend has been largely static, even stagnant at times. An interesting contrast here is that the value of the same market has increased fivefold, from € 200 million in the early 2000's, to nearly € 1,200 million in 2011.

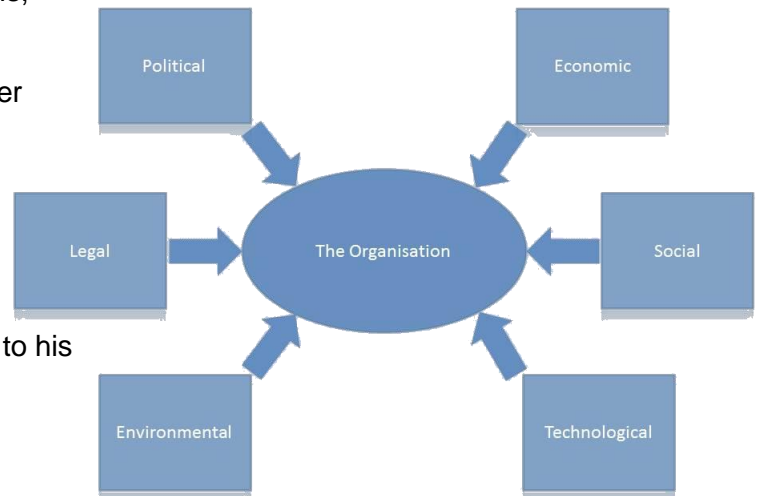
External Analysis

For the external analysis the DESTEP analysis will be used to explore the environment of Mihatra in the UK. Throughout this analysis,

the main source used will be *'The British Cycling Economy'*, written by Dr. Alexander Grous B.Ec., MBA, MComm, PhD of the London School of Economics (LSE).

This report, written in 2011, is one of the few attempts to chart the British cycling industry. Also of great importance to his analysis has been the *'European Bicycle Market Industry & Market Profile – 2012 edition'*, which has been published by

COLIBI/COLIPED, a European member-organization for suppliers to the two-wheeled vehicle industry. The Industry & Market profile mostly looks at Europe in general, but occasionally also specifies country specific data.



Demographic

The United Kingdom boasts a population of over 60 million people, placing it the 22nd most populous nation in the world. The UK is highly urbanized and a Human Development Index (HDI) of 0.875, indicating a very high degree of development (United Nations Development Programme, 2013). Due to a large number of immigrants, primarily from the former colonies of the British Empire, the country knows a high number of different ethnicities. Therefore, aside from the official and recognized languages: English, Welsh, Cornish, Irish and Scottish Gaelic, a large number of British citizens speak Hindi or Pashtu, the native languages of India and Pakistan, the largest former colonies.

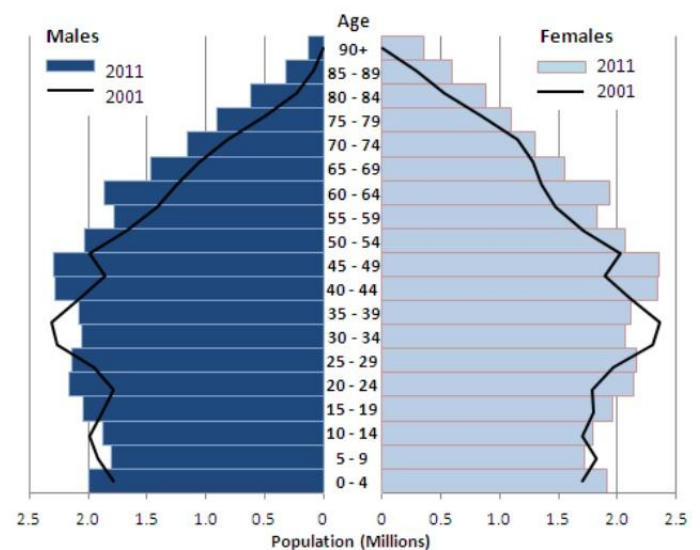
The majority of the British population is well educated and has a steady job. The school system in Great Britain is semi-public, with free public schools for the whole population or, should parents prefer this, the option for their children to attend private schools, which normally require a substantial school fee each year.

Healthcare is also available for free to the general population via the National Health Service (NHS). The NHS is a government run institute that coordinates healthcare throughout Great Britain and Northern Island for all citizens and is funded through the general tax system and the National Insurance Contribution (NIC) which is deducted from every British salary. As a result of this system, the general quality of life, as well as the life expectancy of the average British citizen is very high.

Below some current demographic issues in the UK will be discussed.

Age

The UK, like many other western European nations, is aging fast. The 'baby-boom' at the end of World War II and the following slump in births during the 1970's and 1980's have resulted in a very battered looking age-tree. In late 2013, almost 17% of the British population is 65 years or older, almost the same percentage as the amount of children below 15 years (Office for National Statistics, 2012).



The NHS makes use of the National Service

Framework for older people, which aspires to provide the growing number of elderly with good quality health and care (National service framework for older people, n.d.).

This demographic trend is expected to continue for the foreseeable future, ensuring an increasing burden on pension funds and healthcare system (NHS).

Obesity

A major problem in the UK is the rising amount of overweight and obese people. As of May 2014, the UK was one of the most overweight countries in Europe, coming after only Iceland and Malta (UK among worst in western Europe for level of overweight and obese people, 2014). Overweight has become a major health concern due to the high cholesterol levels, high blood pressure and heightened susceptibility to diseases.

Most dieticians agree that the obesity problem is largely a result of a constantly fatter diet, rather less exercise. The amount of calories the average Brit consumes has grown steadily over the past few years and, combined with a sedentary lifestyle, causes the growing number of obese Brits.

While a large part of the solution to overcoming overweight consequently lays in altering peoples diets by making them more aware of what they eat, moving more can also help. Cycling to work or school every day, can have very positive health effects on people, not only to avoid overweight, but to improve overall fitness and wellbeing: there are public health benefits.

In his extensive work on the UK cycle economy, Dr. Grous looks at absenteeism among the working population to calculate what the benefits of a healthier population could imply. Using the 'Chartered Institute of Personnel and Development's' Annual Absenteeism Survey Data for 2010, he sets the cost of an absent employee for one day at £78. He then proceeds to calculate that should the amount of cyclists in the UK increase by 1% each year, the reduced absenteeism among employees alone could save the British economy as much as £1.6 billion, a number that has attracted the attention of Whitehall, making government support to bicycle providing businesses more likely. (Grous, 2011)

Urbanization

Urbanization, or the slowly increasing amount of people living in cities, rather than in the countryside, is a phenomenon which has been part of UK demographics since at least the start of the industrial revolution around 1760. Initially, these people moved to the cities because of the many job opportunities they (perceived to) have there. In Great Britain this has led to nearly 80% of the population to live in cities, often living in apartments, townhomes or housing estates. Space in these cities is often limited and thus expensive, making car parking space an even costlier affair in relation to living space (United Nations, Department of Economic and Social Affairs, Population Division, 2012).

The increasing amount of people living in cities has been causing increasingly difficulties in allocating public space. Parking lots, extra lanes and safer crossroads are severely impaired by the constant pressure on square meter prices in urban areas and would benefit from the bicycle's high mobility and limited spatial requirements.

Economic Trends

The economy of the United Kingdom is one of the biggest in the world. The annual GDP of the British Isles in 2012 was \$2.83 trillion putting it in the top 6 of the world (World Bank, n.d.). The UK largely depends on services, rather than industry or agriculture for this economic output: nearly 80% percent of the \$2.83 trillion nominal GDP comes from this sector (cbi, n.d.). Of special importance in the UK are the legal and banking services. The large amount of British legal firms that operate globally is a good example of this.

The former British Empire and the influence it wielded in large parts of the world have caused many countries to base on or even copy their legal system, giving the aforementioned legal firms good business opportunities abroad.

Also profiting from this historic advantage are the UK's banking firms. The United Kingdom boasts one of the biggest financial sectors in the world and Canary Wharf, the financial district of London, accounts for a large part of the GDP. Some of these famous British financial institutions are HSBC, Barclays and Lloyds. Their financial sector, however, is not limited to banks only. Some famous insurance companies include Prudential, Aviva and Legal & General, these companies represent a large amount of capital.



The big influence of financial institutions on the UK economy have left it very vulnerable. The fact that relying on one type of business alone is dangerous to a national economy was known before, but did not become apparent until 2008, when the financial crisis in the US started, followed by the European debt crisis in 2009.

The economic cycle since 2008 has mostly been downward. The failing of several banks in the US and the high amount of losses on the stock exchange left many of Britain's banks with dangerously low credit ratings, culminating in a government bank bailout package in late 2008, the biggest two banks involved in this package were Lloyds Bank and Royal Bank of Scotland.

Public confidence in the economy subsequently suffered majorly and the overall economy in the UK did considerably worse in comparison to other western European countries over the next few years (Monaghan, 2012). This can mainly be attributed to the lower government involvement in the economy and fairly low social security.

In total, the UK economy shrank a total of 7.2% over the next two to three years, the elections resulted in a 'hung parliament', the first since World War II and the Pound lost over 20% of its value in comparison to the Euro (XE Currency Charts, 2014).

The free market doctrine, however, had as an upside that the economy has recovered fairly quickly and by 2014, the economy of the UK was growing much faster than many of the UK's direct neighbors. This was facilitated by the British monetary situation. The British Isles are not in the Euro-zone (although they do have an observer seat and wield relative influence) and were therefore not very badly affected by the Euro-crisis of 2009. The value that the Pound Sterling did lose inspired the government to promote British foreign trade and generate more exports from the United Kingdom (Rigby, 2014).

The British Cycle Economy

In the report of the same name, written by Dr. Alexander Grous, extensive research is presented on the complete state of the British cycling economy. The bicycle economy is, not is small part due to the government support, a very well performing market. Representing a £2.9 billion market, expected to grow by £141 million over the next two years. An interesting thing to see is that while some of that growth is caused by an increasing number of cyclists, a more significant trend is that the British cyclist tends to spend more on their bicycle than they used to.

What is also telling for the British bicycle economy is the low number of employees in the sector. In this £2.9 billion market work only 23,000 people, according to Grous. While they represent a total economic value of £500 million in addition to £100 million income tax, the selling of bicycles itself generates £1.62 billion, but only £51 million worth of these bicycles were produced in the United Kingdom itself. Aside from the sales of bicycles, there is a £853 million market for bicycle accessories (Grous, 2011).

What these numbers tells us about the British cycling economy as a whole is that it is almost exclusively import. Very few bicycles are produced domestically.

Social-Cultural Trends

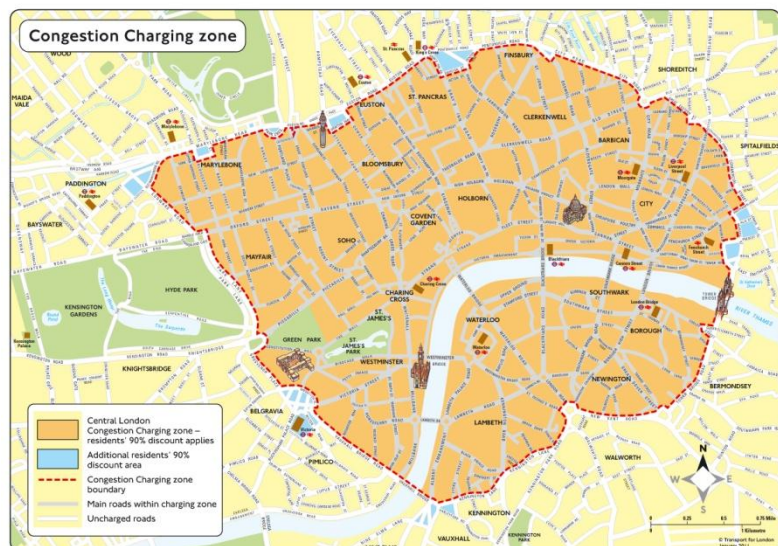
Important social-cultural developments in the UK are the increasing environmental awareness of the general public, the overall widening of the gap between rich and poor and the changing perception of age.

Environmental awareness

The popularization of environmental awareness, or 'green ideas' as they later became known, started in the 1970's. There was a growing feeling that industry needed to be contained, and nature preserved from destruction of those looking to make more money. These ideas are at the basis of a large group of modern environmentalists' views concerning the modern economy. All over Europe political parties have sprung up that have the well-being of the environment as one of their most important issues.



Scientific studies revealed that cars, and the exhaust fumes they produce, are in large part to blame for the deterioration of the ozone layer and air pollution in general. Due to these insights, many governments have been trying to reduce car use, especially in the crowded and heavily polluted cities. Initiatives such as car-free days and the London Congestion Charge have emerged in an attempt to curb the problems. However many of these seem to be of only temporary effect, and a more structural solution has yet to be found.



The London Congestion Charge is a zone in central London that was put in place by the authorities on 17 February 2003. Any car wishing to enter the zone between 07:00h and 18:00h on Monday through Friday, that is not exempt from the charge, will be levied a £10 fee by Transport for London (TfL). Failing to pay the fee upon entering the zone can lead to fines of anywhere in between £65 and £195.

The gap between rich and poor

The financial crisis in 2008 has been a catalyst for what has been going on for a much longer period of time: the widening gap between rich and poor (BBC News UK, 2013). The mounting pressure on many European government budgets has tempted them to cut back on spending, primarily social welfare spending. This significant decrease in available resources to combat poverty have increased the rate at which the gap between rich and poor is widening.

The perception of age

Age plays an important social role in almost every society. Some see the elderly as the wisest and most experienced of all, while other societies see them as being more needy and dependent on outside help: in need of support and care.

The low life expectancy of people meant that most people would only enjoy retirement for a few years. The modern progression of healthcare and medical care, however, has pushed this expectancy to new heights, in some countries, including the UK, the average life expectancy being over 80 years old (World Bank, n.d.). This leaves people with 15 years of retirement, of which a fairly large portion will be spent in good health.

Modern retirees have plenty of time and their health allows them to do things that were previously not possible due to health risks involved. Many elderly go on cruises, travel the world and even do sports, giving a quality of life much higher than before. For this reason people have started to see age in a different perspective: people that have reached retirement age are no longer frail and too weak to work. Instead, people that reached retirement age have completed their service to society and are free to undertake new endeavors.

Technological Trends

The most important technological developments for E-bikes take place in the battery department. E-bike batteries need to be small enough to fit on a bike, preferably as small as possible, they need to be capable of charging as fast as possible and they expected to have as big a range as possible. Combining these three elements: size, recharge ability and range is very difficult, as this tends to conflict. Normally, the higher the range, the bigger the size of the battery and the longer a battery will take to recharge. A battery that charges quickly can be of decent size but will usually lack the required range. For obvious reasons, the batteries should always be as cheap as possible, or at least reasonably priced.

The most common types of E-bike batteries are Lead Acid, Nickel Metal Hydride, Nickel Cadmium and Lithium-ion. Each of these types have different properties that influence their suitability as an E-bike battery (Ebikes.ca, n.d.). Mihatra uses almost exclusively Lithium-Ion batteries, which it produces itself.

Lead Acid: the cheapest option by far. Lead Acid batteries are, as their name suggests, based on lead. The high density of lead as an element causes these batteries to be very cumbersome. At the same time their charging and longevity properties are not exceptional.

Nickel Cadmium: these batteries are much less bulky than Lead Acid batteries. Nickel Cadmium has good overall properties and is in many ways a middle-of-the-road option. The biggest drawback to this type of battery is that it is very dangerous to dispose of, making it a fairly uncommon battery to be used as a consumer battery.

Nickel Metal Hydride: this battery is the more efficient and safer brother of Nickel Cadmium. On average these batteries are 30% smaller and 20% lighter than their Cadmium counterparts. Apart from these advantages, Nickel Metal Hydride batteries can be safely disposed of by consumers and have therefore almost completely taken over Nickel Cadmium batteries.

Lithium-ion: a relatively new type of battery. This type of battery is by far the lightest and smallest, but actual performance has yet to be tested properly in comparison to its Nickel counterparts. At first glance however, the performance of Lithium batteries may not be that much better than Nickel batteries, but their prices are certainly much higher.

Environmental Trends

The most important environmental factor for E-bikes is the presence of bicycle lanes. The National Cycle Network is a 14,500 mile bicycle lane network throughout the British Isles that is operated by Sustrans, a British charity that promotes the use of sustainable transport such as walking, public transportation and, of course, cycling (Sustrans, n.d.).

For many cyclists and potential cyclists, the presence of a safe and well maintained bicycle lane vastly improves the willingness to cycle. Bicycle lanes are normally constructed by the government and thus require government budget and support. In many large cities in the UK, especially London, local authorities have committed to a more bicycle friendly inner-city. Reaching outer parts of the city or even the countryside remains very difficult and cyclists are often forced to use car lanes, making cycling a vastly more dangerous activity.



But even where the will to build bicycle lanes is there, it does not always culminate in a satisfying result. The lack of experience with building bicycle lanes has proven to be a more serious obstacle than originally believed. Many of the city councils that decided to build bicycle lanes do not want to infringe on the mobility of cars, often leading to useless or even unsafe bicycle lanes.

Not only in local spatial planning offices is the UK's bicycle-mindset often found lacking. Many drivers of cars in the UK are not familiar with cyclists on the open road and in this way pose a threat to the cyclist. Cyclists are very slow but also agile, as they can change direction quickly and suddenly; simultaneously they are much more vulnerable road users.

Government spending on bicycle lanes in the United Kingdom is low in comparison to The Netherlands, one of the most bicycle-friendly countries in the world. Where the UK spends around £2.22 per capita on bicycles in general, The Netherlands spends a whopping £24, or almost ten times as much. These budgets cause big differences in bicycle use: in The Netherlands 27% of journeys are made by bike, in the United Kingdom this is only 2% (Burgess, 2013).

Related to bicycle lanes is bicycle parking, which, in the UK, is scarcely available at the moment. Many venues in the UK do not provide a clear and safe place to park a bicycle. This has a negative impact on bike theft statistics. Over 100,000 bikes were stolen in the UK throughout 2011 (Barth, 2013).

Political-Legal Trends

On the whole, politics in the UK is fairly convinced of the need to stimulate bicycling in Britain. Initiatives spearheaded by Mr. Boris Johnson, Mayor of London, have been particularly effective at garnering attention from Whitehall.

Overall policy on cycling

The overall policy of Her Majesty's government is in favor of bicycling. There is a strong belief that cycling can have multiple beneficial effects on British society, while having almost no downsides. By organizing and supporting events and campaigns, the government hopes to promote the use of bicycles, especially in inner cities and for short trips. A good example of one of these efforts is the Cycle to Work Scheme. The scheme tries to encourage employers and employees to commute by bike by giving tax cuts on bicycles and their accompanying gear. The scheme also tries to reward regular cyclists this way.

Another, better known program, is the Cycle Hire program in the center of London. The program is similar to bicycle hire schemes in other capitals worldwide. The main aim of this scheme, which is sponsored by Barclays bank, is to allow people to make use of a bike for a short time without the need to return it to the place it came from. People can hire a bike at a chosen location, ride the bike to a second location and leave it there if they have no further need for it.

Traffic congestion

Traffic congestion has been a major political advocate for cycling. Every morning and afternoon large parts of most Western cities are completely jammed with traffic that is going to or coming from work. A 2012 study by the British department for transportation found that the average speed during the morning peak was only 40 km/h (Department for Transportation, 2013). A myriad of solutions has been tried over the years, but most of these have failed to deliver any significant progress, some even worsening the situation. The

debate about how to solve traffic congestion has propelled the idea that constructing bicycle lanes and promoting cycling can seriously alleviate the worst traffic woes of the major cities.

Legal aspects of E-bikes

A major legal concern for E-bikes is the capability to go much faster than regular bikes. Most of the legislation concerning E-bikes is thus aimed at the electric motor powering the bike. Aside from these rules all E-bikes must comply with the standards set for regular bicycles.

To deal with the speed issue, all E-bikes are limited to provide power assistance up to 25 km/h. This rule was instituted by the European Union and is thus applicable in all EU countries. The EU also specifies that E-bike motors are allowed a power output of no more than 250 Watt, but the British government has limited this further to 200 Watts.

The British government has made legislation that is different from the general EU guideline in several ways. In the UK people under the age of 14 are not allowed to use E-bikes, which is the reason why no E-bikes for kids exist. Furthermore, E-bike tandems and tricycles are not allowed to weigh more than 40kg and 60kg respectively. Lastly, throttle control in the UK is not legally obliged to be connected to the pedals, making it possible to propel the bike at speeds higher than 6 km/h autonomously. In the rest of the EU, all E-bikes can only use the electric motor when the pedals are in use. This rule was made with regards to safety. The UK, however, does require that when the brakes are applied, all power to the bikes motor is cut immediately (Miall, n.d.).

A big piece of legislation that many British citizens feel they lack is legal protection from motorists. In The Netherlands, one of the most bicycle friendly nations in the world, cyclists are legally protected from guilt. When a motorist and a cyclist are involved in a car accident the motorist will always be responsible for the accident, forcing motorists to be very careful when they are in a traffic situation involving cyclists. The general public opinion in the UK suggests that they would need similar legislation in the British Isles.

Customer Analysis

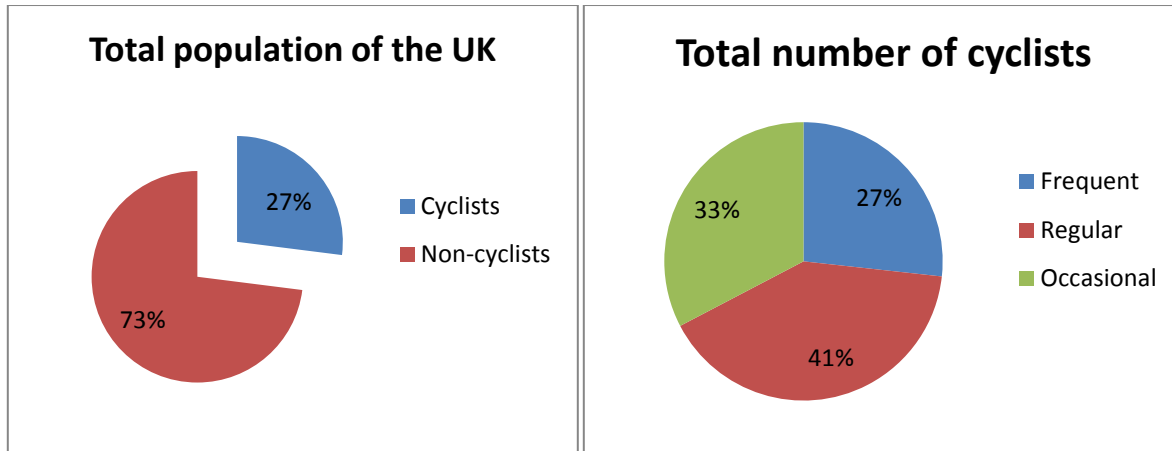
In his report on the British Cycling Economy, Dr. Grous divides the UK's cycling population into three segments (Grous, 2011). He then also identifies four sub-segments, which are present in each of the three main segments. This leaves the reader with a cycling market that is divided as follows:

- **Occasional Cyclist**
 - Family
 - Recreational
 - Commuter
 - Enthusiast
- **Regular Cyclist**
 - Family
 - Recreational
 - Commuter
 - Enthusiast
- **Frequent Cyclist**
 - Family
 - Recreational
 - Commuter
 - Enthusiast

Dr. Grous also defines his segments. Those people that cycle once per week or more are considered '*frequent cyclists*'. When people cycle more than once per month they are considered '*regular cyclists*'. If someone cycles less than once per month they can be considered '*occasional cyclists*'.

The total cycling population of the UK was researched by GfK and Sky among 10,000 respondents. The outcomes of this research project indicated that around 13 million Brits, or around 27% of the population, can be considered a 'cyclist', meaning they make use of a bicycle at least once per year. This number is then broken down into the categories discussed earlier. The frequent cyclists number around 3.5 million, around 26% of all cyclists.

The regular cyclists make up 41%, equaling around 5.4 million Brits, and the occasional cyclists are about 4.3 million people, 33%.



Sub-segment	Occasional Cyclist	Regular Cyclist	Frequent Cyclist
Family	30%	15%	2%
Recreational User	70%	37%	5%
Commuter	-	40%	43%
Enthusiast	-	8%	50%

Table 4: distribution of cyclists by sub-segment (Grous, 2011)

As we can expect and see in table 1, the frequent cyclist segment is largely made up of commuters and enthusiasts. They therefore represent the most important customer base for most cycling associated businesses in the UK, as they require a large amount of accessories: helmets, water bottles, glasses, etc. Most recreational users only have a bicycle and, sometimes, a helmet.

The commuters and enthusiast also dominate the image of the cyclist in the British Isles. For this reason, many of the campaigns and schemes are aimed at these groups. Dr. Grous, however, recognizes that while commuters and enthusiasts are the most frequent cyclists at the moment, there is also a so called '*hesitant cyclists*'. This group feels that the conditions for cycling are not optimal yet, but are inclined to use bikes more should these circumstances improve.

Dr. Grous notices that the group of '*hesitant cyclists*' is mostly made up of 'females aged 35-44, who possess a higher degree of affluence' (Grous, 2011). He asserts that this is a group that is mainly affected by their perception of safety, not only in regards to themselves, but also to their fellow cyclists, often children. It is noticeable that in The Netherlands around 55% of bicycle journeys are made by women, whereas in the UK this percentage is only 30% (Grous, 2011). An improvement in cycling safety, by separating bicycle lanes from roads, adapting legislation and equipping crossroads and traffic circles with specialized bicycle traffic lights would possibly be needed to sway them into cycling more frequently.

The typical E-bike customer

BikeBiz.com, a website aimed at UK based business professionals in the bicycle sector, and BEBA, the British Electric Bicycle Association, found in a report that: "They're aged 50-59, they bought their e-bike mainly to get up hills – and they bought their bike in a physical shop" (Harker, Who is the typical e-bike customer?, 2012)

The average E-biker is a recreational user who cycles regularly. The comfort aspect of having an electric motor is more important to these customers than the extended range of the bike. The fact that many bikes do not have ranges over 80 miles is thus not a very big problem.

Most enthusiasts in the UK cycle mainly as a form of exercise and fun. This group is not interested in comfort at all and will prefer a sportier feel to their bicycle. The fact that they are a major segment of the regular bicycle market makes no difference to the impact they have on E-bike sales.

Commuters are primarily interested in speed and comfort. They want to get to their work as fast as possible while not sweating too much. They cycle to work because they are aware of the environment or because it can save them money.

Recreational users are also after comfort. They are often people who like to go on cycling holidays and do not expect their bicycle ride to emulate a full workout.

Family users cycle short distances to school or the local supermarket. They are not interested in speed and prefer cheaper bicycles.

Out of these segments, the regular and frequent commuters as well as the regular and frequent recreational users are the most attractive market for E-bike producers. These are

people that cycle often enough to justify a pricier bicycle, and at the same time are interested in the added comfort that the motor offers.

	Speed	Price	Comfort	Service
Family	5	2	1	2
Recreational User	3	4	1	1
Commuter	1	5	1	3
Enthusiast	1	5	5	4

Table 5: Rated 1 – 5: 1 is very important, 5 is not important at all.

Pricing

The British cyclist is very price sensitive. Unlike in The Netherlands or Germany, they are often keen to spend as little as possible on their bicycles. Piers Metcalfe, of Volt Electric Bikes, describes the problem as follows:

“An obstacle for the UK has been the price of electric bikes – a sensible model is at least £1,000 and that’s seen as a lot compared with a bike in Tesco, where you can pick one up for £120. The average bike price in Holland and Germany is more like £1,500 or more, so here an e-bike is a bigger step change – four or five times more than what some people expect. Consumers are used to buying quality abroad” (Harker, Electric bikes: What is the state of the nation?, 2014).

The regular bicycle market is showing similar trends, although it seems to be changing. While the absolute number of bicycles sold in the UK in 2013 was 13% lower than in 2008, the average price of a bicycle had risen from £179 in 2012 to £206 in 2013, an increase of 15% in just one year (Harker, Average price of a bike is just £233, 2014).

Competitor Analysis

The electric bicycle market as a whole is very fragmented. Many of the UK's bicycle manufacturers have left the country after the slump in sales after World War II. Most modern day sellers of E-bikes in the UK are therefore produced abroad, then shipped to Britain and sold, sometimes being assembled in the UK in order to be able to call the bicycle "made in England" (A to B magazine, n.d.). Most of the local E-bike production is done by small individual bike shops. These shops have very limited resources and usually do not sell outside their direct surroundings, which are usually confined to their county or region.

The biggest competitors for Mihatra would probably be Volt Electric Bikes, Ansmann AG and Raleigh E-bikes. These three companies are all capable of producing larger volumes of E-bikes at a time and thus have a national reach in the British Isles.

Volt Electric Bikes was formed in 2008 and operates through individual bicycle retail stores that are located nationwide. Volt focuses on quality and service, rather than price, also providing a two year guarantee to their clients. All bicycles are built up to high quality standards and they try to design their bicycles as un-Ebike-like as possible, attempting to get a more "cool" look. All this means that their E-bikes are premium priced, however, and have a target market that is more serious about bicycling and have money to spend on the cycling hobby.

Ansmann AG, as the name suggests, is a German manufacturer of electric bicycles. They are a major player in the British market and have their own headquarters in Harlow, Essex. They provide a high degree of service and can even custom build E-bikes for their customers. Much like Volt, they mainly do business through specialized retail shops that are located throughout the country.

Raleigh is an old and well established name, not only in the UK but throughout Europe and, to a certain extent, even America. Established in 1887, Raleigh headquarters are located in Nottingham. Raleigh is a manufacturer of bicycles and related bicycle articles. They are most likely the biggest player on the UK market, covering a vast range of bicycles for every type of consumer. Raleigh sells city bikes, chopper bikes and E-bikes and everything in between at prices that are as variable as their assortment.

Distribution Analysis

A major difference between bicycle distribution in The Netherlands and in the United Kingdom is the bottom part of the market. Most Brits will buy their first bike at a minimum price at the local supermarket, which sells them only for the duration of the summer. These bicycles are usually Chinese-made and have no quality standards or service that accompanies them. Many British customers use these supermarket prices as their reference point when looking at bicycles. Since the introduction of the E-bike, supermarkets have continued this trend into the E-bikes market (Harker, Tesco plugs into the electric bike market, 2014). This tendency to buy bicycles at supermarkets has left a very large gap for both price and quality of bicycles. Many of the cheaper bikes tend to break quickly and are cost inefficient to repair. Many of the better quality bikes are considered very expensive and need maintenance and repair costs on top of the purchasing price.



There are some chains of shops, although these typically sell not only bicycle related products but also similar products for cars or other types of transportation. Some examples of these would be Halfords and Evans Bikes. Chains like Halfords and Evans Bikes mostly buy their stock in bulk from companies capable of delivering to all their stores at the same time. Often they try to offer a range of better priced, lower quality products and higher priced, better quality products. They also have the advantage of being more visible and accessible than most individual bicycle shops.

If you are a cycling enthusiast and require more quality, you go to a local specialized bicycle shop. These shops are usually individual stores, owned and run by only a few people. These will usually sell premier priced, high quality items that are solely related to bicycles. Typically, these are shops where only the regular and frequent cyclists would go.

Most bikes of lower quality in the UK are produced and assembled in Asia, mostly China. Occasionally, companies will import the Chinese-made bicycle components separately and they will be assembled in the UK. Higher quality products are usually produced in the UK

itself or in neighboring Western-European nations such as Denmark, The Netherlands and Germany.

For Mihatra, the only feasible distribution option is indirect export. The Dutch image that its products have radiated reliability and trustworthiness, while the Dutch production facilities are not far from the market and already in place. Transport costs for the bicycles are negligible in comparison to their product price. Having an agent in the UK would be possible, but having an importer with his own stock would probably be preferable.

Internal Analysis

The core strength of Mihatra is flexibility. Mihatra maintains full control over their own production, with a compact and well trained staff.

Mihatra is a very innovative company. The origins of Mihatra lie in designing batteries for E-bikes, which is their greatest asset. They can quickly service customers because they have full in-house knowledge of the design and working of the motor, ensuring that the repair process can be done as fast and efficient as possible.

Because Mihatra has its own production in The Netherlands, they are very well able to ensure the highest quality standards, while also profiting from the Dutch image in the UK. Dutch bicycles are seen as very high quality and good pricing, also because Holland is known to be a very bicycle friendly country.

Moreover, because the production and R&D is all done by Mihatra themselves, it is easy for them to keep up with industry trends and developments. They have no obligations towards suppliers of motors or bicycle parts, making it easy for them to switch fast or start something completely new. Companies like Raleigh lack this flexibility and are therefore less capable of offering customer specific demands.

One of the drawbacks of having your own production line is that it limits the numbers of bicycles that you can produce. Chain stores and larger outlets usually prefer to have the same assortment of products for all their stores. Achieving a high enough volume of production is difficult when you want to service 65 million people in one go. At the same time, increasing production would be a risky move because of the necessity of selling enough bikes to break even.

Although Mihatra has a good price-quality ratio, the absolute price of nearly £1,500 for a bicycle is usually considered very expensive by UK standards. The average British customer expects a lower price and a lower quality than what Mihatra offers, the question whether that has a negative or positive impact is one of the most important to Mihatra. An interesting quote about this was made by Michael Oliver, Senior Leisure and Media Analyst for Mintel Oxygen, a consumer market analyst:

“The most surprising aspect [...] is the lack of importance attached to brand, with price, specification and styling/color/décor being seen as more important than whether a bicycle is a brand that the potential buyer is familiar with” (Mintel Oxygen, 2013)

Strengths S <ul style="list-style-type: none">• Own production• Full quality control• Own R&D	Weaknesses W <ul style="list-style-type: none">• Expensive R&D• High product pricing• Limited production capacity
Opportunities O <ul style="list-style-type: none">• Growing spending on bicycles• Growing environmental awareness• Growing target customer group	Threats T <ul style="list-style-type: none">• Lower pricing by less innovative competitors• Price sensitive customers

Marketing Mix

Place

As concluded in the distribution analysis, the most sensible choice for Mihatra is to make use of a stock holding importer of their bikes. Having an importer in the UK will make it easier to find Mihatra for customers because of the set location, rather than an agent that is constantly on the move. The fact that an importer has stock will allow Mihatra to send over larger numbers of bikes at a time, which is much cheaper than having to send over small batches every other week.

An importer can also operate as an ideal place to maintain and repair Mihatra bikes sold in the UK without having to open up an entire UK branch there. The importing party's employees can be trained to maintain and repair the E-bikes of Mihatra for them, allowing for a faster service.

Production of the E-bikes themselves should remain in The Netherlands for the combined advantages of having a Dutch, high quality image in the UK, as well as having all production facilities already in place.

Price

The prices of Mihatra's E-bikes are very good when making a ratio between service and quality versus price. The average British consumer, however, has a distorted image of the price of bicycle because of the cheap Chinese bicycles sold in UK supermarkets.

The biggest factor in the price of the E-bikes of Mihatra is the production cost, which is much higher in the Netherlands than it would be in East-Asia. Mihatra should therefore aim to reach the higher segments of the electric bicycle market, servicing customers that will pay a higher price for premium quality, reliability and service. The most obvious group that matches this would be to cater to elder customers.

Product

The E-bikes of Mihatra BV are built to be of high quality and comfortable use. Apart from the regular bicycle frame, they feature an electric motor which was made by Mihatra themselves, allowing for easy repair and maintenance by Mihatra, without the need to involve a third

party. Training partner companies of Mihatra is also no problem because of the in-house knowledge of the entire bicycle.

Because of legislation, some of the bicycle types that Mihatra makes are not fit for UK distribution. The fact that Mihatra makes the motors and bicycles themselves, however, makes it possible to easily adapt to these rules. But this is not necessarily a good idea, mainly due to the fairly large range of bicycles that Mihatra offers. In their range there are already several models which are fit for UK distribution, so spending resources on conforming the remaining models is not worth it. Standardization is easier and cheaper, so would be advisable.

Promotion

Promotion of electric cycling should focus on the comfort and speed combined with an environmentally friendly way of transportation. Mihatra will need the help of larger markets and most likely even government campaigns to achieve a nationwide change of attitude towards cycling. This does not prevent Mihatra from showing the benefits and ease of use of their bicycles at British exhibitions and at bicycle rental places, similar to their concept in other parts of Europe.

Attending events such as the Cycle Show, the largest bicycle exhibition in the UK or the Sky Ride events, the best known bicycle event of the UK would be a good idea for Mihatra. Sponsoring bike rides such as the Big Breeze Bike Rides would be a good way of showing the general public what the added value of an electric bike can be.

The marketing concept of Mihatra in The Netherlands, Spain and Belgium has been to contact bicycle rentals rather than bicycles stores, who are usually swamped with requests to take up new products into their assortment. They hope that by being well represented in the rental sector, people will get to know their bicycles when they are on a holiday, relaxing and having fun. By doing this, they try to increase market pull for their product, making it easier to convince retailers to adopt their product.

Conclusion

As we have seen in the initial descriptions of Mihatra, the company tends to view itself as positioned in the middle of the E-bike market. They try to fulfill this ideal by not only providing a high quality bicycle at a competitive price, but also by providing premium servicing and maintenance and repair. Until now they have exported their products through dealerships and importers.

We have also seen, however, that the British market has some features that are unique to it. Firstly, in no other Western-European country are cheap Chinese bicycles sold in supermarkets at large volumes at very low pricing, they are instead sold through specialized bicycle stores. Secondly, also typical is the view of bicycling as a sports activity rather than a type of transportation. A sports activity that is practiced mostly by men. Thirdly,

The positioning of Mihatra should adapt to these conditions. Most importantly, they should consider themselves a premium producer of E-bikes in the UK, and not medium priced. They ought to maintain their prices and position themselves in such a fashion that the name Mihatra becomes a sigil of high, European quality and excellent service.

The marketing concept of Mihatra needs less adjustment. Their concept of marketing E-bikes through rental places instead of purely through bicycle retailers is a solid idea that will reach their target customer: the elderly person that rides their E-bike for comfort during a cycling holiday. Good additional marketing would be to attend or sponsor bicycle rides, which are organized with great frequency by a large number of stakeholders.

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