

# DOING WELL BY DOING GOOD

SRAM has committed \$10 million to bicycle advocacy over the last five years, and many expect the Chicago company to do even more in the future

by **Dan D'Ambrosio**

SRAM is one of the more remarkable growth stories in the bicycle industry. After introducing the Grip Shift in 1988, the company reached annual sales of \$25 million by 1994. Over the next five years, sales increased by nearly five times to \$120 million in 1999. This year, the company will likely reach \$660 million in sales.

Even more remarkable, in 2008

near the height of its growth, SRAM established the SRAM Cycling Fund to further the cause of bicycling. Backed by Chief Executive Officer Stan Day and other top executives, the company committed to spending \$2 million annually for five years for a total of \$10 million for projects targeted to increase bike use worldwide.

"It's a ton of money," said Tim Blu-

mental, executive director of Bikes Belong. "It's global in focus. It's pretty dynamic by design. They've sort of streamlined the application processes and decision-making to let people in the field making bicycling better do their good work."

SRAM owes its remarkable growth, and its ability to spend money on advocacy, in part to a lawsuit against



SRAM engineers in Schweinfurt, Germany, review new technologies with international journalists.

Shimano in 1990 for unfair business practices, which SRAM settled out of court in 1991.

SRAM accused Shimano of offering a discount to bike manufacturers to specify an all-Shimano drivetrain. After settling with the Japanese company, SRAM began to compete vigorously in the Original Equipment Manufacturer, or OEM, market, adding companies to its portfolio such as Rockshox, Truvativ, Sachs, Avid, and Zipp. Today, SRAM is able to offer complete component packages as an alternative to Shimano.

From 2006 through 2010, when SRAM announced in May that it wanted to go public, the company grew at an annual rate of nearly 17 percent, with sales in 2010 of \$524.5 million. SRAM has put its planned IPO, or initial public

offering, on hold for now, however, because of the volatility of the markets.

Based in Chicago, SRAM is still only about a third of the size of Shimano's bicycle division, according to Randy Neufeld, director of the SRAM Cycling Fund. With 2,500 employees worldwide, however, SRAM is a force to be reckoned with in the bicycling world.

#### TAKE ME BACK TO CHICAGO

Tim Blumenthal, who is an adviser to the cycling fund, is also a beneficiary of its grants, with \$150,000 going to People for Bikes, profiled in this magazine's May issue, and \$175,000 going to Safe Routes to School National Partnership this year. The SRAM Cycling Fund also supports the Green Lane Project launched by Bikes Belong to make

cycling in America's big cities more user-friendly.

Programs are underway in Chicago, SRAM's hometown, San Francisco; Washington, DC; Austin, Texas; Portland, Oregon; and Memphis, Tennessee, to install networks of protected bikeways and other improvements on city streets. Chicago is one of the most aggressive cities of the bunch, according to Blumenthal.

"To me, Chicago is one of the two or three fastest-improving cities for bicycling in the U.S.," Blumenthal said. "They're going nuts there with the speed of development of Green Lanes and bike networks, and in the next month or so, a big bike-share system. They're making a huge, huge commitment."



Randy Neufeld rides with Polish officials and bike advocates at the Active Mobility Conference in Gdansk.



Before hitting the trail, SRAM engineers pose in front of the company's development center.

PSWE, GDANSK, POLAND

PHOTOS LEFT & RIGHT COURTESY OF SRAM LLC

It's worth noting, Blumenthal says, that the top executives at SRAM know Chicago Mayor Rahm Emanuel well, and "have his ear."

As for his own organization, Bikes Belong, Blumenthal says SRAM's help can hardly be overstated.

"I can't even count the number of ways they've helped, but right out of

All decisions on funding are made by a three-person committee comprised of Neufeld, CEO Day, and Mike Mercuri, vice president of product and marketing.

"We fund things that are innovative and improve the cycling environment both on the road and off the road,"

Neufeld said. "It's a growing company, but a very cycling-centric company. Interestingly, not all bike companies are cycling-centric in terms of people who work there. The guys who design things here ride on a daily basis and use road bikes or mountain bikes as part of their everyday lives."

Neufeld says SRAM's cycling-centric viewpoint starts at the top with Day. He said

the impetus for creating the fund in 2008 was the acquisition of part of the company by Trilantic Capital Partners, formerly known as Lehman Brothers Merchant Banking, the buyout arm of Lehman Brothers before that firm went down in the financial crisis of 2007-08. Trilantic invested nearly \$235 million in SRAM.

Since then, Trilantic has "exited," Neufeld says, putting SRAM back into private ownership.

When the sale went through in September 2008, however, the leadership of SRAM felt it was important to establish the cycling fund, so it would be clear to their new partners that SRAM was about more than making money.

"They felt advocacy was in the DNA of the company," Neufeld said. "They wanted the investors to buy into more than just profits. As part of the deal, they created a \$10 million fund for advocacy, originally to go through this year, but the fund will now go through 2014."

Counting this year's grants, Neufeld said the fund has spent a total of more than \$8 million since 2008, leaving less than \$2 million yet to be spent by 2014.

"It basically comes to an end when the \$10 million runs out over six years," Neufeld said. "Part of the excitement of the fund is \$10 million spent on growing cycling. We have to spend it in the most catalytic, exciting way possible in order to maximize its effect."

#### \$6 BILLION FOR BIKES IN EUROPE?

Neufeld runs through the highlights of SRAM's funding as he sees it. Starting in Europe, SRAM has a strong partnership with the European Cycling Federation through a cycling-industry club that includes all of the major bike companies in Europe, including SRAM's competitors.

"We work together with the European Cycling Federation to grow cycling," Neufeld said. "We have funded projects in Spain, Italy, the Ukraine, Czech Republic, and Poland. We're doing a little work in Germany as well."

SRAM's largest manufacturing facility in Europe is in Schweinfurt, Germany. SRAM bought Sachs Bicycle Components in 1997, which had 1,250 employees and annual sales of more than \$125 million.

All of SRAM's grants in Europe have targeted the national level, and even the European level, with a commitment by the European Commission, the legislative body of the European Union, to double cycling in Europe through investment in transportation development.

Neufeld said SRAM is looking for a \$6 billion investment in cycling out of the European Union. The fund is also working with IMBA (International Mountain Bicycling Association) Europe to bring state-of-the-art trailbuilding expertise throughout the European continent. That expertise resides with the Americans, who invented mountain biking.

"On the U.S. side, we have a couple of projects that are really exciting, probably the most exciting being the Green Lanes project," Neufeld said. "It has been very successful in terms of innovating European-style bike facilities in the U.S. We're seeing progress in Chicago, San Francisco, Memphis, Portland, and other cities. We're watching



Innovative bikeways on Moody Avenue in Portland, Oregon.

the gate there are three things," Blumenthal said. "First, they were a funder for the Safe Routes to School national partnership to get kids riding to school; second, when we launched People for Bikes three years ago to get more Americans involved politically, they were a steady and big investor in that; and third, they've supported this newer thing of separate green lanes in cities."

Blumenthal gives Neufeld credit for the green-lanes concept, saying he brought back the idea of separating cyclists from fast-moving cars and trucks in the city from his travels in Europe. SRAM made commitments to the European Cycling Federation at the Velo-City Global Conference in Sevilla, Spain, in March 2011 and IMBA Europe, among other causes.

#### THE TRIUMVIRATE

The SRAM Cycling Fund allocates 60 percent of its funds to the U.S., with 20 percent to Europe, 5 percent to Taiwan, and 15 percent uncommitted.

those as a model.”

While there has been progress, Neufeld points out that U.S. cities are still well behind European cities when it comes to welcoming bicyclists. The best cycling cities in Europe see 30 to 35 percent of their transportation happening on bikes. Portland is the best bicycling city the U.S. has to offer, with seven to eight percent of trips happening on bikes. Davis, California, is getting close to 15 percent, Neufeld said, but it’s only about a tenth the size of Portland, and even 15 percent is only half of what bigger European cities have achieved.

With that in mind, SRAM has also funded the National Association of City Transportation Officials’ urban bikeway design guide, both the first and second editions.

“The NACTO guide is a perfect kind of project to illustrate what we’re trying to do,” Neufeld said. “Figure out some way to invest in innovative learning so it can leverage much larger advocacy.”

#### HARVESTING FUNDS

SRAM is also one of the biggest supporters of IMBA, funding their work and regional structure “so they have the ability to really protect trail access and help create new trails,” Neufeld says.

“We’re also working with IMBA on urban bike parks and we’re big supporters of their public-lands initiative,” he said.

The SRAM Cycling Fund committed \$50,000 to IMBA’s public lands initiative, which tracks management plans and promotes pro-bicycle policies at the local, state, and federal levels. The fund also put \$40,000 toward the Team IMBA Challenge, which gives riders the opportunity to turn their races into fundraising events for both IMBA and their local mountain bike clubs.

Another project Neufeld cites is Advocacy Advance (advocacyadvance.org), run by the League of American Bicyclists, which partnered with the Alliance for Biking & Walking to “boost local and state bicycle and pedestrian advocacy efforts,” according to the organization’s website.

Advocacy Advance “provides targeted trainings, reports, grants, and assistance to equip advocates with the specific tools they need to increase bik-

ing and walking in their communities.”

Neufeld said SRAM funded the organization to the tune of \$400,000 with the prospect of doubling the public investment in cycling “Just by doing a better job using the federal and other funding opportunities there right now.”

As an example, he cites a federal air quality program with no guarantees but the possibility for funding bicycling.

“Some places in the U.S. do a very good job harvesting funds from those programs, other places do very poorly,” Neufeld said.

The point is for the places that don’t do well to learn from the places that do, through the work of Advocacy Advance.

SRAM has also funded Adventure Cycling Association’s U.S. Bike Route System, committing \$30,000 to the proposal to officially designate a national network of numbered, signed routes linking urban, suburban, and rural areas.

Neufeld visited Adventure Cycling’s headquarters this February and discussed further grant possibilities with Executive Director Jim Sayer.

Neufeld insists the SRAM Cycling

Fund “basically comes to an end” when the \$10 million runs out, but he adds, “It would be great if the fund went beyond 2014. I hope it will, but we’re not acting as if it will.”

Neufeld knows the fund plays an important role within the company.

“I’m the only staff person that works on the cycling fund, and a person could not be more supported by an entire company,” he said. “It’s very exciting feeling like people are really proud of the cycling fund and feel like it’s part of why they work hard at SRAM, to make the world a better place.”

Tim Blumenthal is convinced that feeling will carry the SRAM Cycling Fund far beyond 2014.

“SRAM’s commitment is so strong that I could see this evolving and changing, but I can’t imagine they won’t be investing lots of money for years to come in making bicycling better,” Blumenthal said. “It’s who they are.” **AC**

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