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New mountain shock key to Cane Creek's strategic shift

By Steve Frothingham

FLETCHER, NC—Just a few weeks ago, while many U.S. factory workers were home celebrating the start of summer over the long Memorial Day weekend, the Cane Creek factory here was buzzing.

Workers were called in to complete an order for the company's newest product, the DBinline rear shock, which Cane Creek views as a landmark item in its multi-year refocusing and development effort.

The weekend atmosphere at the factory was not quite festive, but considering the timing it was upbeat, said CEO Scott Sonnone. Some of the staff has worked in the concrete-block building since the 1970s, when it served as the U.S. outpost for Japan's Dia Compe.

Sonnone said the high morale on the holiday weekend can be attributed in part to Cane Creek's employee stock ownership plan (ESOP). Under the structure begun in 1999, all vested employees own a piece of the company.

"I'm not sure I was a believer in ESOP before I came here," said Sonnone, who was a consultant with the company before joining full time in 2008. "It wasn't until we got our hands around it, and the open-book policies, that I started to see that people were here for more than just a paycheck."

Sonnone felt the sense of ownership over the holiday as workers pumped out shocks for a bike manufacturer. The workers not only own a piece of the company—they had bought into the long-term strategy that led to the shock's launch this spring.

"People get it. They know what this product means, they know we need to meet orders. So there were no long faces, no moping around. Everyone was excited," Sonnone said.

Deep industry roots

Cane Creek has about 40 employees, including a few who remember the early 1970s Dia Compe days, when the company manufactured aluminum brake levers, including then-*de rigueur* "suicide levers," for bike makers like Huffy and Murray.

The operation has been through many

transitions but has remained in the same concrete-block building that Dia Compe built in 1974, expanded a few times to its current 30,000 square feet.

As bike assembly moved overseas, Dia Compe ended most production in Fletcher, but used the location for sales and marketing.

In 1989, Dia Compe USA became the manufacturing and marketing partner for the first RockShox fork, the RS-1. That led to a connection with inventor John Rader, whose threadless headset design allowed rapid fork swaps, among other advantages.

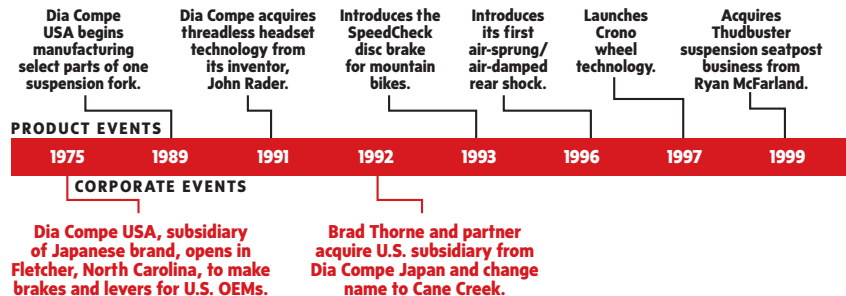


The DBinline shock fits a broader range of frames thanks to the elimination of the piggyback reservoir on previous Cane Creek dampers. The shock is the product of more than four years of development.

Dia Compe soon bought rights to the design from Rader, and the following year Brad Thorne and a partner bought the company from Dia Compe, renaming it Cane Creek and retaining the patent.

The RockShox partnership soon ended, but for nearly 20 years Cane Creek developed its headset and brake business, while also expanding into wheels, suspension seatposts, bar ends and other items. It was helped

CANE CREEK'S EVOLUTION





Cane Creek recently invited members of the cycling media to try out the DBinline shock on the forest trails of its North Carolina back yard.

along by a steady flow of revenue from about 15 manufacturers who licensed the headset patent.

In the late 1990s, Cane Creek managers began strategizing on the company's post-patent era. They decided to refocus their product line, eventually dropping wheels and ending development of new brake products.

While the company still sells some bar ends, rim brakes and levers that it considers "legacy products," all its product development energy is aimed at suspension and aftermarket headsets. Cane Creek also continues to manufacture a steady flow of its Thudbuster suspension seatpost, a popular OE spec on European trekking bikes.

Sonnone said the patent expiration had little effect on Cane Creek's headset sales, although licensing fees disappeared.

"FSA has taken a huge portion of the OEM market, so we lost sales [of Cane Creek-branded OE headsets] and royalties on that front. But our aftermarket headset sales have actually grown," he said.

Springing up shock sales

The biggest development push has been in rear suspension.

In 2005 the company released the Double Barrel, as a coil shock for downhill racing. Advantages include external adjustment of high- and low-speed compression damping.

"The coil-over shock was addressing

maybe 10 percent of the market; the numbers weren't big enough," said Sonnone. "So we expanded into an air shock, and that addressed about 30 percent of the market. But it was still a piggyback design. Now that we are bringing [the Double Barrel technology] to an inline shock, we've got a product that can apply to 80-plus percent of the market."

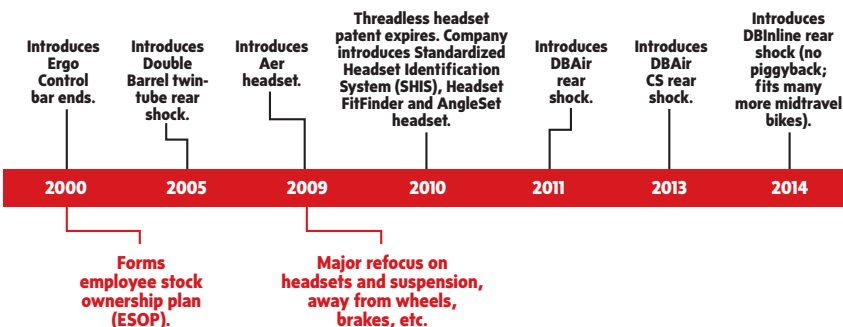
"It's been four to five years coming, so this is a big development milestone," he said.

Eliminating the piggyback reservoir allows the shock to fit most bikes with travel in the 120- to 160-millimeter range. At \$495 in the aftermarket, it will likely be seen primarily on bikes retailing for \$3,000 and up. And at about 100 grams heavier than a comparable Fox shock, it will appeal to riders concerned with tunability and shock performance above weight.

Cane Creek is already selling to a handful of OE customers, including the one whose order was being completed on Memorial Day weekend.

Sonnone said Cane Creek would also like to grow its aftermarket shock sales. Taking a page from its headset education efforts, the company is investing in educating shops and consumers about shock tuning.

"We want to teach people to not be afraid of making adjustments, so they optimize the shock for their use. That's when the advantages of our product become more obvious," Sonnone said. **BRAIN**



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