Cycle hire, do you see the potential?

Cycle hire is an excellent form of leisure activity and a great way to explore some of the UK’s most beautiful areas. It is also represents a profitable business proposition that is often overlooked by many in the bike trade who see it as the poor relation to retail, conjuring up images of businesses run by amateurs catering for parties of marauding school children and desperate families through wet summers and cold winters.

With that in mind consider this formula which successful cycle hire operators base their businesses upon.

First get a good deal from your bike supplier. At the right time of year most suppliers are keen to clear old stocks to make way for the new season, which means a smart hire operator can get good bikes at good prices. Alternatively don’t be afraid to go for “seconds”. A scratch here and there or a mismatched paint job can mean there’s a deal to be done and most customers hiring bikes won’t even notice.

So, lets say the cycle hire operator buys the bike for £100. Now they rent that bike for the summer season – usually 10-12 weeks – for approximately £100 a week. By the end of the summer that single bike will have generated at least £1000 worth of hire sales. Now at the end of the summer season and in the run up to Christmas the hire operator sells the bike for approximately £125.

Depending upon the level of bikes hired this formula may alter, especially if offering higher quality bikes such as MTB for demo’s and test rides etc. However the basic principle is the same and the hire operator will know how many hires will be required for each bike to cover overall business costs. Changing the hire fleet for new each year and selling on hire models is the best way to keep things fresh, and retain a good reputation for quality cycle hire.

This formula is used by hire operators in many other industries from cars to DIY, with profit margins on cycle hire between 60 – 70%. Still think they’re a bunch of amateurs?

Nigel Wiggett has been running the 400 bike Bridge Bike Hire on the Camel Trail in Cornwall for over 20 years and recalls the first time he explained the cycle hire formula to his accountant, “I remember going through it several times because he didn’t believe it could be so simple, I think he was expecting there to be a catch. After going over the numbers for a while the accountant’s face broke into a big smile and he told me I’d found the golden ticket to the chocolate factory. I’ve never looked back.”

Richard Nicholls from Rutland Water Cycling, one of Europe’s leading hire businesses says, “In today’s competitive leisure market bike hire represents an affordable, healthy and enjoyable activity for customers of all types. It can be a very profitable business given good weather and efficient management.”
Clearly cycle hire does require access to the right location so it can’t work for everyone, and there’s no guarantee the great British weather will be on your side either. But with cycling gaining greater promotion and the Sustrans Network expanding, plus rights of way access increasing with better investment from various stakeholders including local councils, forestry commission and land owners, there is genuine potential for new and existing businesses to develop cycle hire operations.

So where do you start if you want to exploit the potential of cycle hire and what are some of the challenges you’ll face?

**Location, Location, Location!**

Trails, bridleways, tow-paths, forest parks and lakes are just some of the ideal locations for cycle hire. These routes are off-road and tend to be already in use as leisure destinations for families, tourists, local residents and school parties. All of whom have the potential to be profitable cycle hire customers. A call into your local council should be the first port of call to assess what if any potential a location may have for cycle hire. And don’t forget that many recently developed areas advertise for cycle hire operators. A note of caution however, some hire businesses may have to pay a levy for each bike hired so make sure you know what’s expected upfront.

Ideally cycle hire locations should offer routes which can meet the needs of customers, mainly families, without being too taxing whilst providing additional facilities such as cafe and toilets. Clearly many locations do offer opportunities to cater for enthusiasts which mean hire businesses have further opportunities to develop if they wish. Rutland Water Cycling is a great example of this approach, developing a reputation as an MTB test centre alongside its existing family orientated hire business.

Circular routes can often be the most profitable because the hire operator can charge an hourly rate rather than a full day rate. Charging say £5 per hour can generate a lot more income than £10 a day. Plus circular routes with an hourly rate offer more flexibility for customers and are easier to navigate, requiring less investment in maps and directions from the hire operator.

**Premises**

Proper storage is essential which means finding adequate premises can be difficult. A new hire operator may wish to consider either going mobile or renting premises, which will help to reduce overheads and retain flexibility. A mobile hire pitch can work well although will need to look professional to ensure customer confidence and it will increase demands on storage. Hire premises should offer facilities for customers as well as good storage space, especially if located on site where security will also be another important consideration for you and your customers. Hire premises in remote locations can prove tempting for bike thieves so they will require adequate security and insurance.

**Insurance**

This is one of the biggest challenges facing hire operators. Most hire operators find it difficult to get insurance against theft so the key considerations will be stock and liability cover. An IBD moving into cycle hire may have an easier time arranging insurance via their existing provider who may be able to extend their cover. The first port of call should be specialist brokers Butterworth Spengler (0151 494 4400), however shopping around will almost certainly be required to assess the options.
Bikes
The type of bikes to hire will obviously be based upon your location and the trails your customers will be using. Ideally bikes and accessories should be new, which generally means they will require less maintenance and fewer parts over the hire season. Experience has also shown customers tend to treat newer items with more care.

Ideally the hire fleet should include a good mix of sizes and genders with comfort being the priority. Catering for a family market also means offering child seats, buggies, trailers and tandems to ensure everyone enjoys their day out. If you are offering demo bikes then there will be a greater investment in higher end models to meet demand, and this should be offset with increased hire rates.

Maintenance is essential to a good hire fleet and will represent one of the biggest costs to the business. Investing in good models and Cytech trained mechanics working to standard procedures will help reduce these overheads.

Seasonality
Weather permitting the busiest hire periods will be Bank Holidays, dry weekends from Easter through to September and school holidays. However, depending upon location and business management hire does not have to be seasonal. Clearly weather will have an impact upon any hire operator, however good business can last all year round. In the “shoulder period” – Spring and Autumn, either side of Summer – many hire businesses cater for schools. During the quieter winter months hire operators will expect to see more local users and specialist groups. All of these groups represent potential opportunities to preserve business outside of the peak summer season.

Sales can also be important income generators for hire operators, especially if offering a test or demo service. Richard Nicholls from Rutland Water Cycling says, “New cycle and accessory sales are vital revenue streams for our business. Cycle sales are accentuated by a customer’s ability to ride a hire bike first, and our demo range is there specifically for this purpose.”

A hire business can retain a lot of seasonal flexibility, and some may even close during the winter months. The seasonality of the business also means more flexibility with staff, allowing hire operators to retain a low number of full time staff and bring in flexible resources at peak times.

Administration
Deposits are a fundamental part of running a good hire business and today that means using plastic. Taking credit or debit card details is the best form of ID and ensures your cycle hire customer returns the bike, and looks after it whilst using it. By using a credit or debit card as a means of deposit the hire operator can then be in control of exactly how much money can be used to cover theft or damages. This form of deposit is now commonplace and legitimate customers should have nothing to fear by using this method.

To ensure efficiency and professionalism operators should also use standard Hire Agreements for processing each cycle hire transaction. These agreements do not have to be onerous but they help ensure both parties know their responsibilities and have a clear record of the hire transaction covering make and model of the bike hired, the hire period and deposit.
ActSmart sells hire agreements with customer duplicates which have received full legal approval. Contact ActSmart to receive a sample copy. Larger hire businesses may wish to invest in computerized systems to increase efficiency.

Standard procedures should be adopted for each hire, ensuring staff brief customers on the use and set-up of bikes and the routes to be taken. Retaining proper maintenance records for each hire bike is also essential, ensuring that they are checked for faults after each hire. Numbering cycles is an efficient way of handling maintenance, hiring and end of season sales.

**Guides, maps and brochures**

Your location will determine what maps or guides you need to make available to your customers. The more complex the route the greater the need for investment in clear maps or route guides. Any investment you make can be offset by selling maps and guides to hire customers. Ideally the hire operator should provide useful information on the local area in any literature provided, which is both a useful marketing tool and ensures a more enjoyable trip for customers. Lots of pictures and local information are always appreciated in hire maps or guides, the cost of which can be shared by any other local businesses benefiting from the extra promotion.

Remember that cycle hire is just like any other business, it needs good management, the right people and promotion to really make it work.

**Can you see the potential?**

For some cycle hire may not inspire the same passion as retail but its potential certainly makes it commercially appealing. In fact there’s so much potential one article couldn’t hope to include it all! Hire and retail don’t have to be exclusive and can in fact work well as an extension of the other, creating new income opportunities and value-added services for existing customers and those you never knew you had. If you’ve got the location then its worth exploring the potential, before someone else does.