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## Transcript for *influencers!* Season 2 Episode 1: Joshua Hon

**Phil Latz:** Josh, thanks for coming on *Influencers!*

**Joshua Hon:** Thanks. Thanks, Phil. Great to be here.

**Phil:** Well, you might not be thanking me later. We'll see. Will it be fair to say that you were born with bicycle manufacturing in your blood?

**Joshua:** Not really. I think I was around bikes from a pretty young age but I wasn't actually really much of a cyclist until getting to college, but in college of course you get on bikes and that's the best way to get around and you realize, hey, this is a pretty nice way to get exercise and get fresh air and also move about. I did other sports and so I came late to cycling actually.

**Phil:** You went to Stanford University, that was your college?

**Joshua:** Yes.

**Phil:** Pretty nice part of the world to ride a bike especially by American standards.

**Joshua:** On campus, that is by far the best way to get around. It's a huge campus. It's great for cycling. There's a lot of great infrastructure. You can pretty much cycle anywhere. There's only a few small places that you can't. It's funny you mentioned Stanford because I'm now talking with the bike transport people there and we're strategizing about how to encourage more people to cycle to and from campus because there are thousands of employees, and if you're all driving and all parking, that's a huge amount of emissions that's created. I'm having a really good time thinking how I could help my university reduce car usage. That's been fun.

**Phil:** So, where do you go home now?

**Joshua:** Taipei, Taiwan. Taiwan is the bike capital of the world, and so if you're in the bike business, that's a very natural place to kind of center your operations.

**Phil:** Indeed it is. It's the world center of bicycle manufacturing, even controlling a lot of the manufacturing that doesn't actually happen there as you well know. Because of that, I know it might be a little left field question, but I do want to ask you because you live there and you are familiar with that region. The risk of China invading Taiwan and what that would do obviously not just for the bike industry for but for the nation, what's your take on that?

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**Joshua:** That's a pretty involved question. There's a lot to unpack with a question like that. Sure, there's a risk of something bad happening. Is that greater now after Russia's gone into Ukraine, or is that less? Hard to say. No matter what happens, I think in war everybody loses, so there's not a whole lot of good that comes out of it, and we're getting a great example of that now unfortunately. You have to live life and move forward and that's what we do. At Tern, we're thinking about how do we get more people out of their cars onto bikes for their short trips.

A trip that's five kilometers or ten kilometers or less, like why would you do that in a car? You might do it if you don't have infrastructure and it's not safe. You might do it if the weather's really bad. There are some things and so that's what we think about. How do you design bikes that are convenient, that are easy to use, that have carrying capacity, all of these things? That can take a passenger, and so you're removing one by one those reasons for needing to drive a car for that five-kilometer grocery trip. That's what we get a lot of enjoyment out of doing.

**Phil:** Okay, so you were in the bike industry before Tern, so your father founded Dahon?

**Joshua:** Right.

**Phil:** What motivated you to strike out on your own, if you like, and set up a new bike company?

**Joshua:** I think the direction. There was a difference in opinion of direction of what we thought-- I say we because it's kind of the team-- what we could do with bicycles really to innovate and to create kind of new concepts. Tern is now 11 years old, so in the last 11 years, I think we've been able to show a little bit about what we think bicycles can be, right? They really don't have to follow the same old form factors. They can be actually quite different, and new form factors can actually be incredibly useful right.

The GSD is a bike that we're really proud of. It's the very first compact cargo bike. If you look around Eurobike, the show this year, you can see that we've inspired--

**Phil:** [laughs] What a diplomatic way of describing copying.

**Joshua:** We've inspired a lot of people. That's the thing, should an e-bike look like a traditional bicycle with a motor strapped on and a battery is strapped on? Is that the limit? Or is that the optimal form factor? I think when our team thought about it, we thought no. When you add a motor, the impact of aerodynamics changes. Do you need to optimize for aerodynamics if you now have a motor adding 300% to 400% of additional power? Well, no. Then could you allow the rider to sit a bit more upright and be more comfortable? Yes, you could because you have a motor.

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How you weight things changes when you add a add a motor. Those are things that we don't really-- at Tern, we don't care too much about convention. If something doesn't make sense, we're happy to change it, and we're really happy that a lot of the rest of the cycling world has now said, hey, I think what those guys were doing makes a little bit of sense. Now we see this perfusion of compact cargo bikes.

**Phil:** You've created a whole new category, the compact cargo bike.

**Joshua:** Yes. Yes, we have.

**Phil:** Now, I remember standing talking to you at the Eurobike Demo Day at Friedrichshafen outside. I can almost remember where your booth was. Given that you've only been going 11 years, it must have been like year one or year two, very early in your evolution, because it was a fair while ago and you didn't even have a GSD in existence then. But you were talking to me and saying, "Oh, we're not going to just do folding bikes anymore. We're going to do this new bike, it's going to have 20 inch wheels with fat tires and a long wheelbase and whatever."

I was thinking shouldn't you just be making-- I don't think I said it, but I was thinking aren't you a bit crazy, shouldn't you be just be sticking to what you are known for which is folding non-electric bicycles. Did you know it would be as successful as it was back then, before it actually existed?

**Joshua:** Absolutely not. It was a massive risk. You have to be willing to take some risks. Sometimes they don't work out. You have to take educated guesses, but I remember, even among the team, we debated. We said what is this bike going to look like? One person on the team said, hey, it's got to be folding, that's what we do, it needs to fold. My argument was if you really want to carry a lot of weight, a hinge in the middle doesn't work very well. That's always going to be your weak spot, and so I think we need to eliminate the hinge. That was a big thing.

Then after we had moved along in the process and we had developed it, we showed the concept to our largest distributor and they said, "No, we don't want that. Don't do it. We don't want it. It doesn't make sense. Give us a folding bike." If you are somebody who goes, wow, we have to listen to focus groups and we have to do research and listen to the consumers, well, that would've just-- right. We would've, "Okay, stop. Let's do a folding bike."

I think the thing that's interesting about our team is that we are also the user, we are the customer. Because we had been riding the bike and we understood it, and we were like this thing is really-- it's good, it's good. Even though our customer, our largest customer, said don't do it, we just basically said, well, we don't think they really understand it yet, so we're going to do it anyway.

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Now, that's a huge risk. Fortunately, it worked out, but there's one funny story. The GSD, it's quite short, so you can actually pull it and stand it up on its end and you can roll it around. That was a requirement for us because I live in an apartment with an elevator, and so I have to get the bike upstairs to park it.

That was just like, hey, this bike needs to be able to go into an elevator. I needed to be able to maneuver it. Again, we had that in our presentation deck for our large customer. They showed it to the entire buying group, all the senior managers, and they came back and said, "Yes, everybody laughed when they saw that feature because everybody in this country has large garages and there's no need for this vertical parking thing that you're talking about, so we don't need it. Don't even talk about it because they just laughed at it."

Of course, we were a bit discouraged and we're like, yes, we think this is important, we think it's a good feature, so we're going to talk about it anyway. The best thing for me was Eurobike, day one of the show, the booth is packed and I see the owner of the company, super respected gentleman, older gentleman, he's pulling the bike up, he's showing the dealer, he's like, "This is the best feature," and he's telling his team, "This is one of the best features," and the team is like mm-hmm.

We love that, but I think the lesson is that sometimes products are new. If it's a new category, you don't really understand it until you have time to think about it and to use it and to ride it. It's like the iPhone. That's the famous story. Steve Jobs comes out and says, "We're going to own 1% of the mobile phone market," and everybody thought-- I'm a longtime Apple diehard, and I thought he's crazy.

Steve Ballmer goes, "That phone is ridiculous. It's not going to make it," but it's a new category and so you don't really know, and you have to understand, wow, using your finger really is better than thumb typing on a Blackberry. I think there's a lot of lessons in there, but you have to have a little bit of confidence and it is a leap of faith, and it won't always work out. Fortunately, it has so far.

**Phil:** Well, it did for this time, and well done and congratulations for having the courage to do it. As a result of that, and if you like, the spinoffs or the iterations that have come from that, could you paint a picture of Tern Bicycle company today? I don't want to go too deep into specific models, but just an overview of your company, how many countries you might be in, and what scale of number of bicycles you might be producing and that sort of thing.

**Joshua:** Well, we're private, so we don't really talk numbers. We are headquartered in Taiwan. We probably have two thirds of our people in Taiwan, and then we have team members scattered through Europe. Our design team is up in Finland where a lot of the magic happens. We have

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team members in the United States as well, and then in China as well. We're relatively small in numbers of people, but we've got a lot of all stars at important positions. We can be nimble and not too bureaucratic. We sell in 40 plus countries. I would say, again, our focus, our mission, is to get people out of cars and onto bikes and really just-- right.

We have this issue now with climate change. For the 60% of Americans that believe in climate change, and the rest of the world, it's a huge issue. In the United States, it's something like 29% of emissions are caused by motor vehicles, 29%. It's huge. If you can just take, and it's close to 50% of trips are less than-- I think it's five kilometers or three miles. It's just these huge number of trips that are being made, very short. We look at it and say, look, if you can just convert 10% or 20% of those trips into bike trips, that would make a very sizable impact on emissions.

It's hard, right? Reducing emissions is really, really hard. If you can say, look, if you're only riding-- if your trip is only two miles away to the post office or the supermarket, doing it by an e-bike or a regular bike, it's not actually that hard. That's our goal. It's to make those vehicles that kind of get rid of some of the barriers to cycling. That's basically what we think about all day long.

**Phil:** Okay. I love the fact that your design team-- Finland, you say. Do you like the Scandinavian design sensitivities, or is that just a quirk of history that became the case?

**Joshua:** Well, it's both. I think our appreciation of design tends to be more-- it's very, it needs to-- we think about what does the product need to do and let's optimize for that, and then let's not have lots of extra extraneous things. Everything that is on this product should be there for a reason. If we can't think of a good reason, get rid of it. I think that simplicity in design happens to be Scandinavian. The fact that our head of design is Finnish, I think that's just good luck on our part. I think we've got good team members kind of scattered.

In Switzerland, it was actually one of our dealers and he would periodically write these long missives. "Hey, this thing doesn't work really well. It could be improved this way. Why does this break so easily? Then it's not serviceable. This is terrible." After several of these, and then in the end we're like, "Ah, actually, he's kind of right on this thing. We could improve it."

Finally, this is quite a few years back, we just said, would you like to join our design team as a consultant? He said yes. There are a lot of relationships that are just kind of organic that way, and now he's a dear friend. It's opportunities like this at Eurobike, we haven't seen each other for three years, and we get back together and that make these shows really great. Yes, sometimes it's just good luck, but it's also treating people the right way that gets you some good luck.

**Phil:** Okay. You're a private company, so I'm not going to ask for any numbers, but just in painting that picture, more e-bikes now or more non-e-bikes in your product mix?

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**Joshua:** Well, I think as most anybody in the bike industry would tell you or ask in reply to that, they'd say, "Talking units or revenue?" I think all of us now in the bike industry realize that, hey, e-bike demand is growing, and it makes a lot of sense. You allocate more energy and resources to what is selling and what you also believe in. We're definitely focused on e-bikes. We started as a folding bike company and so that's always going to be part of our DNA, but ultimately, we're about urban mobility so having people move around, so we're really not fixated on we're this or we're that, but it's what ways can we get more people out of cars?

We think the bike is by far one of the best ways, but are scooters in there? Yes. That's a lot less resources and less polluting than a car, and so that's good too. Public transport, that's good too. We don't have much expertise in public transport, so we don't do that.

**Phil:** You don't do public transport, but might Tern scooter be on the on the way?

**Joshua:** We think about things but you don't want to just jump into a crowded market without any differentiation or improvement, and then just hack away and compete on price. That doesn't make sense. I like scooters. I used to skateboard in college as well, so I like skateboards and e-skateboards are terrifically fun. We think about all of these things, but our expertise is bicycles, and honestly, in terms of weight to the amount of energy that you get in versus the speed and the amount of cargo that you can carry, the bicycle is the best machine for that.

**Phil:** Okay. Now it's one thing to design and make a bike. It's another thing to sell it. In Australia, you've got two models underway. You've got a traditional distributor selling to retailers, to consumers, but you've also got a leasing model underway. How has that been going? Are there plans to roll that out? Are you already rolling that out in other countries?

**Joshua:** Yes. Like you said, we have two different models of let's say distribution in Australia. They're both doing very well. I think e-bikes can be expensive. Our goal is not to sit here and sell. Our goal, first of all, is to make a good product. If you don't have massive scale, a high-quality e-bikes costs a lot of money these days. It is our goal to make quality products more accessible. That means that we have to think about ways to lower the price, financing, all of these things.

Looking at this leasing or subscription model in Australia, and those are our partners who are doing that. They proposed it to us and we said, "Hey, that sounds interesting. Why don't you try it?" We will support it. Because we're always interested in learning about new things, and so they're successful, and we're excited that they're that successful. I think innovation in the financing space is something that a lot of people are looking at now. We think about that too. We don't have anything to announce, but we definitely do think about it.

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**Phil:** Okay. Another innovation that you've done is called Tern Business. Would you like to explain what that's about and how that's going?

**Joshua:** Well, it's really about last-mile delivery by bicycle instead of trucks, right? It's really that simple. I'm an Amazon customer, long-time customer, shareholder, I believe in it. If you have vans, and vans work in some places, long distances, but in crowded urban cities, vans don't work very well. If you're in Manhattan, there's a lot of double parking, there's blocking creating more traffic. There's air pollution, there's noise pollution. There are all these negative effects.

Then because it's a crowded city, they're not actually that fast, right? There have been studies, right? I think those of us in the transport field know that there have been studies showing that in a lot of cities, and you can just look at average speeds, cargo bikes can make more deliveries per hour than a van.

It's something that we believe in. We say to ourselves, hey, in addition to getting people out of cars for short trips, in cities where it makes sense, let's get deliveries out of diesel vans and get them onto bikes, and people can be more efficient. The drivers can be happier, the companies that are doing the logistics can be more profitable, maintenance is lower, total cost of ownership is lower. There's no gasoline costs, there's no insurance costs. It makes a lot of sense. We want to just talk about it and let people know that, "Hey, this really does make sense." It's something that we're doing in New York, Manhattan. Whole Foods delivers throughout Manhattan on a fleet of Tern bikes with Carla Cargo trailers, and it's working well and the fleet is expanding. That's one example.

Another example is New Zealand Post. We haven't talked about it yet, but New Zealand Post is getting GSDs to deliver mail. That's something we're pretty excited about. Instead of your mail trucks, you're onto GSDs, and really there are many other good cargo bikes out there. Urban Arrows, great cargo bike. Riese & Müller makes great cargo bikes. Ours is pretty great. We're glad they chose ours. It just makes a lot of sense for a lot of cities. We want to help the purchasing people, the government people. The commercial companies that do logistics, we want them to know that, hey, you should think about cargo bikes to do deliveries.

**Phil:** When you have those conversations, how do they go initially? Do you find resistance or do you find receptive ears, or what do you find in general?

**Joshua:** I think for them to find us, they already have to be open about it and thinking about it. Then they're looking at what are the options. Because right now there's no fixed standard on is it a front loader? Is that the best form factor? Or is it a quad? Is it a trike? Is it a longtail? Actually, right now, we're in this amazingly exciting time where nobody's really sure.

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We think we have a pretty good solution which is modular. You can carry different types of cargo. You take a GSDs if you need 300 liters of delivery. If you need up to 1.5 cubic meters, then you can add a Carla Cargo trailer. If you're doing food delivery, you don't need all of that, then you can get a lower-cost bike, like a Tern Quick Haul, which has some special racks.

I feel really sorry when I see these food delivery guys riding around with these incredibly unergonomic square backpacks, and as anybody who backpacks knows, you want to keep the weight close to your back and not two feet away from your back. Imagine doing that for eight hours. We have racks that are designed where it's, hey, the backpack just goes in the rack, perfect fit, and it's now off your back, so the rider is a lot more comfortable. If they're more comfortable, they're probably happier. If they're happier, they're probably more efficient. We're thinking about what problems do people have and how can we slowly eliminate them.

**Phil:** Okay. Let's, finally turn to the bigger picture. Despite all the progress, there has been rapid progress, you and I know, in sales and in bike usage, but it's still a long way to go till we reach the tipping point, whatever that might be. Would you think that's a fair comment, and what will it take to really get us over that hump in terms of those three to five kilometer trips you were talking about before, three-mile or five-kilometer trips, and really getting a lot of them moved from car bike?

**Joshua:** Actually, I would say it depends on your country and your city. In a lot of places, it's already tipped. There are some wonderful places to-- of course, everybody knows Amsterdam, Rotterdam, Netherlands, a lot of places in Germany, Copenhagen, Stockholm, but there are a lot of places. I'm from the United States. Los Angeles, home of the car and crowded freeways. I think, in the end, the common thing that we see in every city where you see success or failure is bike infrastructure.

If governments put in bike infrastructure, people feel safe. When people feel safe, they cycle more. As more people cycle, then that just begets more people cycling. Then larger numbers of people cycling actually adds to safety, because you're not just the lone cyclist that a car driver encounters every other drive, but if you have a steady stream of cyclists, then you're more aware of them. I think that's the number one thing that cycling advocates could and should focus on.

It's just lobbying governments like, hey, we need better bike paths. The crazy thing is we have great examples of cities that work really well for bikes and cars and public transport, and you can come to Europe and see these cities, so there's no guesswork involved. You just go to Amsterdam, get a bike, ride around and, oh, hey. I feel really safe when I have a line of parked cars separating me from the car traffic. That's something that we try and support. We're supporting the cycling bodies that are lobbying governments, so like the BA, the Bike Association in the UK.

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We love the work that they're doing, so we support them. People For Bikes in the United States, again, doing really great work. One of the things that we do is with our profits every year, we take a portion, 1%, and we go and support organizations that are doing good work. Some of that is advocacy, but in other areas, it's people working in social areas, in equality.

Equality is something that I think is increasingly an issue, especially in the US. You see the middle class shrinking, people dropping to the bottom, and inequality just really increasing in the US. It's something that really bothers me. If we can take some of our earnings and put it into small places where it begins to have a little bit of an effect, that also makes us really happy.

**Phil:** What does the next decade hold, both for you personally, for Tern, and what role you play in the cycling community?

**Joshua:** Well, I think I expect that we're going to make some really interesting bikes that will inspire a lot of people. I think this is business, it's competition, it's inevitable. I think I would say that we're just getting started. We're adding to our team, we're growing, we're adding some good people, we're investing more into the products as well. I would say in the early days, we had to use a lot more standard parts and round tubes and we didn't have the freedom to develop more interesting things because, hey, there's a budget. Going forward, we're a little bit unfettered and the team is pretty excited because the-

**Phil:** -the brakes are off.

**Joshua:** Yes. Like, "Hey, Josh, I think we could do something pretty interesting. Can we do a forging here? New forging?" "Yes." "Well, how about a hydroform tube in this area? It'll cost--" "Yes." You have to justify it, right? Either aesthetically or functionally, you have to justify why. If you can justify it, the answer is yes in all cases. How can we make this product more optimized and fit for purpose? Give us the reasons and if you convince us, yes. We've got some really exciting things coming, but I think I'm also really excited because we see change in a lot of cities.

Where I remember growing up in Los Angeles, you turn 16, you have to have your driver's license and the lucky kids have cars. That was it. I remember after college when I told friends, hey, I'm going to go work on bikes. Everybody, my friends were in Silicon Valley at computer companies, software companies, looking at me like, really? Bikes? Now the exciting thing is there are lots more people getting it and, hey, biking is this great thing. Now some of those same friends are coming back and going, hey, man, can you hook me up?

**Phil:** For a job?

**Joshua:** I actually have this running list of like friends from my class, my year in university. It's

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like how many people can I convert over? The list is slowly getting longer. When you see change coming in cities around the world where people recognize suddenly that, hey, maybe the car, ownership of a car is not the be-all, end-all, and maybe we need to look for other forms of transportation that are more sustainable. When you see that, Melbourne is a great example, isn't like mode share something like in the 20th percentile, 20%.

**Phil:** Only in peak inner-city areas.

**Joshua:** Okay.

**Phil:** There's still a great unwashed out at suburban Los Angeles and Melbourne as well.

**Joshua:** Yes, but the point is that you're seeing the number of people who cycle really increasing. It's not like recreation, it's for transportation. We get stories of people all the time that, hey, I used to drive this route and sit in traffic to wait for school drop off, and it would be ten minutes and exhaust. Now I just ride up with my GSD and I'm in and out and off doing something else while everybody's still waiting.

We get lots of stories like that. That gives us a lot of excitement and a bit of hope. With all the bad stuff going on in the world, we need some of that, but I think the next decade is us continuing to look at how do we get more people out of their cars and what can we do about it?

**Phil:** Well, Josh, thanks for being on Influencer!

**Joshua:** Thank you, Phil.