

## Men's Apparel Forecasted to be Key Driver For Action Sports Specialty Retailers In 2009

Adapt accordingly. And, thrive in 2009. Specialty retailers look to the future.

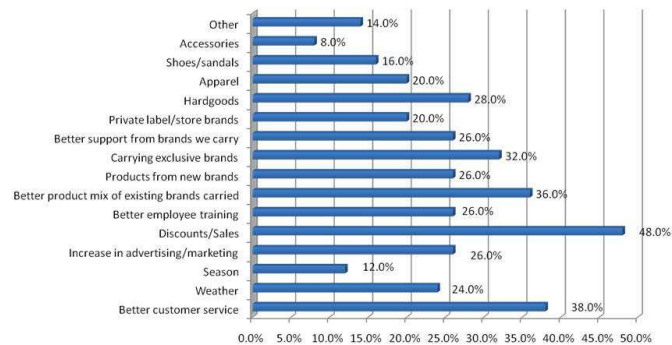
By Angelo Ponzi, President/Co-Founder Board-Trac, Inc.

Thank goodness 2008 is over. There wasn't a single place you could hide on this planet without being bombarded with bad news. And, unfortunately, the action sports industry did not escape the impact the economy has had on businesses in every industry sector.

According to specialty retailers who participated in the Board-Trac /Board Retailers Association Quarterly Specialty Retail Research -- the Q4 2008/2009 Business Outlook, 58.2% indicated that their 2008 sales were down from 2007 levels. No surprise there. This impacted margins as well as retailers struggled to drive business.

In fact, among the 31.6% that said they had experienced an increase in sales, 48% of them indicated

### To What Do You Attribute Your Sales Increase?

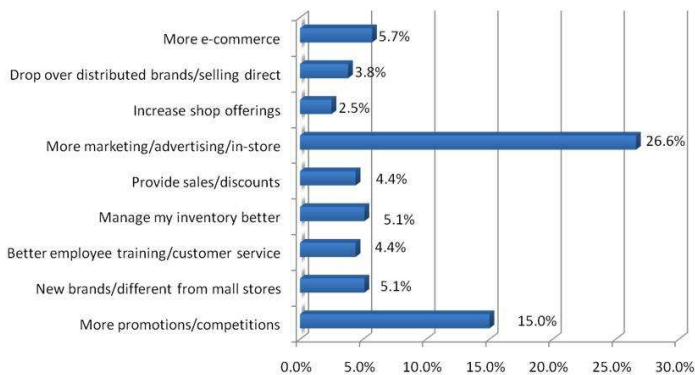


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increases in their business that came from discounting and sales.

### What Will You Do Differently In 2009 vs 2008 To Drive Business?



Most consistent answers are provided



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Based on the retailers' forecasts of annual sales for 2008, 54.6% of the retailers surveyed said that actual sales were under forecast by 5% or more after the first six months of 2008. By year end that percentage had grown to over 63%. Among the 18.2% that indicated sales had exceeded forecast halfway through the year, shrunk to 15.8% by year's end. Those who were meeting plan at six months (27.3%), slid to only 21% at the end of 2008.

While this is certainly not great news for the industry, 50% of participating retailers expect their business to remain flat or even increase in 2009.

According to the study, 41.6% of the retail survey participants plan to invest in their businesses by being more aggressive with advertising, promotions, competitions and in-store programs to help drive sales in 2009.

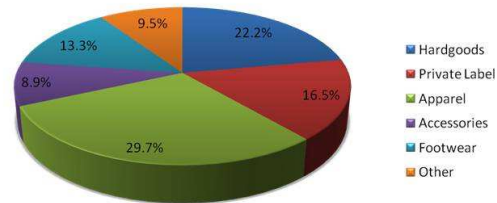
In 2008, 26.5% of specialty retailers indicated that apparel was a primary contributor to their overall sales increases. For 2009, 29.7% of survey respondents said that apparel will be the most important category for their store's growth. However, apparel sales have been one of the biggest challenges for specialty retailers according to the study.

Over-distribution of brands is the number one concern for specialty retailers heading into 2009. A topic that has spurred much debate at industry summits and trade shows over the past year.

While only 26.4% of the specialty retailers indicated that they had positive sales increases in 2008 over 2007, in hardgoods sales; they see this category as second most important for growth in 2009 followed by private label and footwear.

Private label will be a key weapon in the retailer's arsenal in 2009, as it has been in previous years. However, with the continued controversy over brands' distribution strategies and to drive greater margins, private label may move up the ranks in importance.

### What Is The Most Important Category For Your Store's Growth in 2009?



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In addition to the product categories, 69% of the retailers indicated that males are the most important gender to focus on in 2009 when considering their product mix.

And, among age segments, the primary 12 – 24 year old segment will continue to be their focus. With the reality of an aging action sports demographic, retailers are beginning to open an eye toward the 25 – 40 year old group, especially when considering surf brands.

The economy will continue to be one of the biggest, if not *the* biggest challenge for retailers in 2009. However, as we have previously mentioned, some of the biggest challenges a specialty retailer faces in 2009 are the brands they currently carry.

In addition to over distribution of brands (other specialty retailers, sporting goods stores, department stores, mall stores and internet only stores), selling direct to consumers (41.8%) or via company stores (24.7%) are also high on their list.

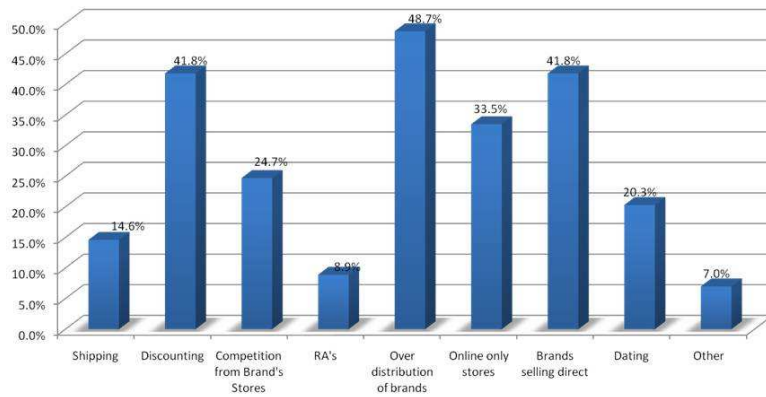
As specialty retailers know only all too well, distribution channels within the action sports industry have changed dramatically over the years.

For example, in 2002,

skateboarding retailers reported that their biggest competitor for hardgoods was catalogs. In 2008, it's the Internet. For clothes, shoes and accessories, competition continues to come from mall stores, as well as the Internet.

Overall, the opportunities for consumers to purchase hardgoods, apparel, shoes and accessories have greatly expanded over the past ten years. And, this expansion will continue to challenge specialty retailers.

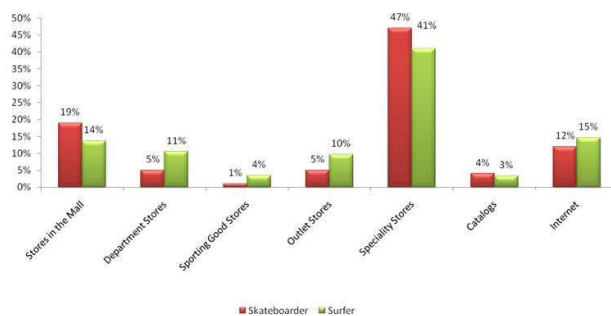
## What Will Your Biggest Challenge Be With Brands/Suppliers in 2009?



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## Typically Shop for Clothes/Shoes/Accessories



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Multiple response question

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indicated they are considering carrying new brands in 2009. And, among those retailers, 72% of them indicated that new brands could account for up to 10% of the brands they stock.

However, for smaller brands looking for the silver lining in this dark-clouded economy, over-distribution of brands and expanded distribution channels offer start-ups and smaller brands a significant opportunity to grow their businesses in 2009.

Specialty retailers are looking to expand or change their merchandise mix with new, fresh and exciting brands. In fact, among retailers that carry skateboarding products, 67.3%

Like 2008, 2009 will be a challenging year. However, unlike 2008, retailers are going into 2009 better prepared. They've seen the worst. They know what they should and shouldn't do – sometimes having learned the hard way.

The action sports industry is an exciting industry. Forget the millions of participants and billions of dollars in sales – just look at mainstream America's love of the sports, regardless of whether or not they participate. Action sports can now be found on multiple TV networks, with one completely dedicated 24/7 action sports channel. Competitions and contests are held in parking lots of local retailers, broadcast on local cable stations and major network. And, even in the Olympics.

These certainly are challenging times, but not impossible times. As we ride out the current economic wave or tsunami as it were, retailers need to take what they've learned in 2008 and act on those lessons in 2009.

And, let's not forget that what's happening in the country today affects all of us; retailers' knowing what's happening in their own backyard is key to their survival. Yes, there are millions of participants and those non-participants who are influenced by action sports - remember they all don't live within the boundaries the retail store's trading area. Know your customer. Know your trading area. Establish or reestablish your brand. Adapt accordingly. And, thrive in 2009.

#### Sidebar

*The information contained within this article is provided by Board-Trac, the leading marketing and research firm within the action sports industry. In cooperation with Board-Retailers Association, Board-Trac has launched new quarterly retail surveys among specialty retailers. The majority of participants in the surveys reported annual sales under \$1.5 million and either own one (66.5%) or two (15%) stores.*

*To participate in Board-Trac/BRA Quarterly Retail Studies, e-mail [angelo@board-trac.com](mailto:angelo@board-trac.com).*

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