

## Reflecting on a challenging 2009

By Kyle Conrad with reporting by Lou Dzierzak

A welcomed end to one of the most challenging years in American business history is just a few short weeks away. The past twelve months have been fraught with economic turmoil, marred by events like the Wall Street crash, the collapse of major financial institutions and the disintegration of iconic domestic automotive brands. Brands that had lofty plans for expansion before the downturn were forced to enter survival mode as the financial pylons around them crumbled. Many retailers stopped ordering products as consumers' discretionary income withered away.

Not all of the news was bad, however. In fact, some running specialty brands and retailers actually reported sales growth and improving margins as 2009 unfolded. Despite an otherwise grim business climate, several new running brands were successfully launched, established brands introduced new innovations and running enthusiasts filled registration lists at events across the country. The health of the running specialty business for 2009 -- estimated to be up in the mid-single digits for the year versus strong double-digit gains of the previous few years -- was an enigma, of sorts, as vendors and retailers planned business down to account for the global economic decline.

Rod Foley, Director of Marketing Running Footwear at Mizuno USA, reflects.

"At this time last year, fear was rampant and there was a lot of energy around ideas like spending control and inventory reductions," Foley says, "and although we did then and still do believe in the long-term prognosis for the running business, we also had to make some decisions as financial stewards of this brand, so we put together what seemed like a rational and responsible inventory strategy." Foley admits that in retrospect, Mizuno's strategy had some fundamental shortcomings. By early Spring 2009, Foley says at-once orders were up by about 30% year-over-year, and the company missed out on some valuable opportunities despite scrambling to keep pace with the market.

Foley went on to say that the key lesson

from '09 is that runners will continue to run and buy new equipment no matter what's going on within the economy. "...we learned that despite the well-intentioned inventory decisions we made, (runners) still sought us out and demanded more from us," Foley says. "(and) it motivates us to improve and (be) optimistic about the future."

After revising business plans as quickly as possible in reaction to the crashing economy, many established brands are optimistic about the months to come.

"What a difference a year makes," says Jim Weber, president and CEO of Brooks Sports. "One year ago we were working through the sixth version of our budget with a lack of visibility on what the global credit crisis would bring. Consumers - all of us - were hunkered down holding onto our money wondering what the future would hold." Now, says Weber, it is evident that runners use running as a tool to deal with stress, and leading a healthy lifestyle remains important to people regardless of the state of their finances.

Somnio Running and Karhu successfully introduced running specialty retailers to new brands with distinct product attributes.

"2009 was our launch and we have had shoes at retail since June," says Sean Sullivan, founder of Somnio Running. "It's been great getting the word out about our shoes and talking with runner's and stores."

Jay Duke, president of Karhu, says 2009 was the birthyear of his brand and the company is excited about its growing specialty retail base.

Brands focusing on narrow product and target audience niches thrived as trail running, road running and triathlons continued to attract athletes as well as weekend warriors.

At LaSportiva NA, president Jonathan Lantz says the company is selling close to 20% more trail running shoes than it expected to and expects to meet and exceed trail goals for the year.

Like trail running, growing participation in triathlons has fueled growth for several brands, as well. Vinu Malik, founder of

Fuelbelt, says 2009 turned out to be an "incredible year" for Fuel Belt. "After a long winter of really tiring economic news, we rolled into the spring with a very conservative attitude on the one hand, but a commitment to keep business as usual," says Malik. "That meant we stuck to our ad schedules and media spending and continued to invest where we always had." In the end, Malik says, that direction really paid off as sales were incredibly strong throughout the year with some breakthrough months.

Published in May, 2009, Christopher McDougall's book "Born to Run" ignited grassroots interest in barefoot or natural running. Vibram's FiveFingers benefited significantly from the book's message. Michael Martin, sales and sales operations manager at Vibram FiveFingers, Vibram USA, Inc. says the up-and-coming company tripled its business for the year-to-date despite increasing its retail base by only 20%.

Stephen Gartside, president of Newton Running, says Newton has expanded its target market to include core runners in addition to triathletes. As a result, Gartside says the company enjoyed more than 100% growth for the year.

A growing number of government surveys, retail sales tracking reports and various media pundits have declared the recession is over, and many brands and retailers are optimistic about the opportunities 2010 will present -- but with realistic expectations.

There seems to be quiet determination that the market will improve and each of these company's is preparing to capitalize on consumers who are finally looking to replace worn out shoes, update their technical apparel and stock up on the new product.

That being said, what will the running specialty market look like a year from now? Will the sales curve tilt upward or will it bounce up and down in reaction to consumer's still wavering sense of confidence about their jobs and the economy? Are we in a period of strategic conservative 'wait and see' or on the cusp of new market changing innovations?