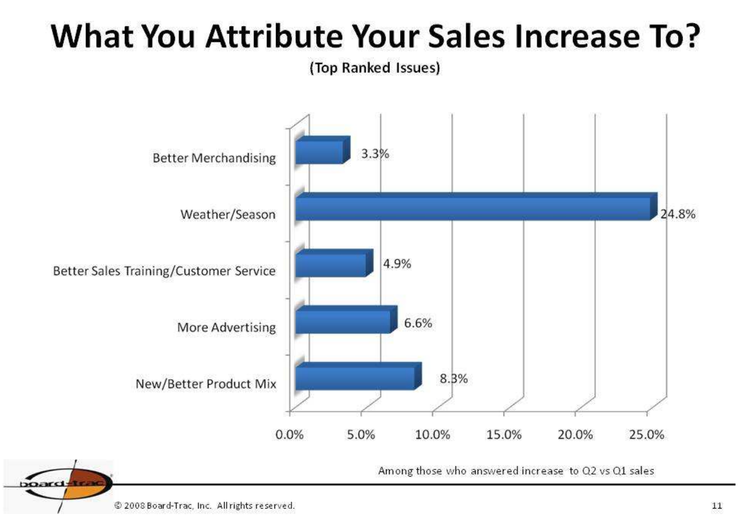
Action Sports Retailers -- Riding the Economic Board

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

With every flip of the channel, turn of the page or click of the browser bad news about the economy is delivered to every consumer's doorstep on a minute-by-minute basis. And, being consumers, we all know the effect it's having on our overall confidence levels.

This is not good news for anyone – neither business owner nor consumer. And, while I could rattle on about world markets, bank failures, difficulty in securing credit and other macro issues that are and will have an impact for the next 18 months or so, my focus in this article is on the world in which we live, action sports, specifically, specialty retailing.

Overall, 58.7% of specialty retailers reported that comp stores sales were down Q2 2008 vs. Q2 2007. During that time period, 49.6% indicated that margins were down as well.



On the bright side, if there is one, the majority of retailers indicated that sales and margins were up or stayed the same from Q1 to Q2 2008; however, the primary reason stated was the weather/season, which of course, will change again soon. Retailers also stated that more advertising and a better (newer) product mix contributed to a better second quarter.

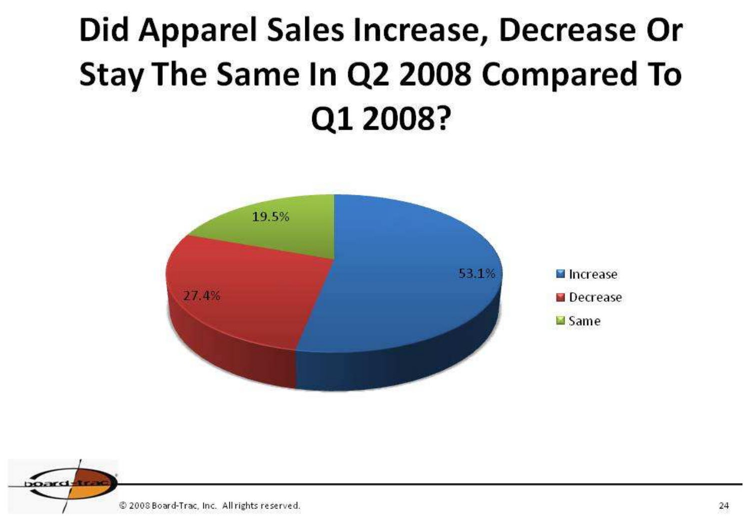
While retailers indicated that second quarter sales were on the rise over the Q1 08; overall, retailers are not very optimistic about their business in 2008.

Based on their annual sales forecast developed in January of this year, 54.6% of the retailers surveyed said that actual sales were under forecast by 5% or more, with the majority (37.2%) under forecast by 5% - 10% after the first six months of 2008. Only 18.2% indicated that sales have exceeded forecast, while 27.3% said they are on plan.

Looking toward the end of the year, retailers who believed that sales for 2008 would be up or at least stay the same decreased 30.1% from the Q1 and Q2 surveys while those who expected their business to decrease, increased by 53.2%.

For the first two quarters, apparel remains the most important category for growth among retailers, specifically male-oriented apparel. Hardgoods are the second most important category with Private Label a close third.

Looking at consumers, 61.2% of the retailers said that males were more important to their business' growth in 2008. Taking a closer look at age reveals that the two highest ranked age groups in terms of importance were 16 – 19 year and the 25+ year old groups. In fact, 65.3% of the retailers indicated they would like to see more apparel, shoes and accessories for a 25+ consumer delivered by the brands. The age group with the least importance to their overall business growth is the 6 – 11 year old segment.



It's understandable why apparel is the most important category of growth for specialty retailers with 49.6% of the retailers indicating that apparel sales increased in Q2 over Q1 in 2008.

And, like apparel, hardgoods continues to be an important growth category. According to retailers, 40.2% indicated that hardgoods sales increased in Q2 from Q1; another 32.1% said sales remained flat from Q1 to Q1 2008, which is this market can be viewed as a positive.

Shoe sales on the other hand were mixed. While 36.6% of the retailers indicated that shoe sales increased from Q1 to Q2, 36.6% also indicated that shoe sales decreased.

The economy has been and will continue to be one of, if not these biggest challenge for retailers for the remainder of 2008. However, some of their biggest challenges resides with the brands they sell.

According to retailers, the top two issues they have with brands are brands selling direct to consumers (70.6%) or via company stores (47.6%), as well as the over distribution of the brands -- other specialty retailers, sporting goods stores, department stores, mall stores and internet only stores.

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 and like hardgoods, Internet sales of clothes, shoes and accessories has grown 200% from 2002 to 2008. In addition, sales through department stores and outlets have also increased among skate brands since 2002.

While distribution of clothes, shoes and accessories in the surf segment is still dominated by the specialty retailer, distribution of surf related products through department stores, sporting goods stores, outlets and of course, the internet has grown significantly since 2002 as well.

Bottom line -- these are challenging times, but not impossible times. As was pointed out by retailers who had experienced growth from Q1 to Q2, they offered their customers a better or new product mix as a means of differentiating themselves from their competitors and coupled it with advertising and promotions to reach out into the communities they serve. While the bigger picture of the economy and what's happening in the country today affects all of us; knowing the economy in your own backyard -- 1, 3, 5 mile trading area -- is essential to surviving. Inventory management, customer service, employee training programs, better merchandising programs and help from your associations, as well as the brands themselves are tools you have to help you ride this economic board.

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 a new quarterly retail survey among specialty retailers. The majority of participants in the surveys reported annual sales under $1.5 million and either own one (64.6%) or two (15%) stores.

To participate in Board-Trac/BRA Quarterly Retail Studies, e-mail angelo@board-trac.com.