



CSN EXECUTIVE PROFILE with Steve Ralph, president of adidas Canada Ltd.

How long have you worked for adidas Canada?



I've been here 22 years. I graduated from university in 1987, and started here in 1988 as an accounts payable clerk! I am fortunate that the company has provided a lot of opportunity to broaden my management skills. adidas has always been one of those places you want to work, not just because it's a great global brand and is very stable, but also because within the industry we're known for our unique culture.



What other benefits does your long career at adidas provide for you?

I think what it gives me, specifically with adidas, is a wide perspective. This perspective can ground you – not only in your career but in your life outside work. I've seen the highs and lows. In the late 1980s/early 1990s, adidas wasn't in favour with the consumer. It kind of lost its way. Nike was really coming on, and Reebok was very, very strong. We missed a whole generation who were teenagers then and are 30-40 years old now. Then, in the 1990s, we saw the brand rebound and stabilize in the early 2000s. Now it's really started to take off again. *(cont'd on page 5)*

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CSN Asks: "What is your business doing to go green, and how it is affecting your bottom line?"

Earth Week is just around the corner. Tell us what your store or company is doing to reduce waste, and we'll report on it in an upcoming issue of CSN, along with a selection of environmentally friendly sporting goods products and initiatives.

Editor • Jane Nahirny
250-931-3311
jnahirny@csga.ca

Subscriptions/Classifieds
Sheila Johnston
705-444-1230 • Fax: 866-786-1478
sjohnston@csga.ca

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National study predicts consumer spending will remain sluggish in 2010

Consumer spending will not reflect a newfound optimism about the economy in 2010, according to Bensimon Byrne's latest Consumerology Report, released yesterday.

The report, commissioned by the Toronto-based advertising agency and conducted by Gandalf Group, tracks consumer opinions about the economy, their personal financial expectations, consumer buying intention, and attitudes toward key national issues.

The study indicated that most Canadians think the recession is over and the economy is growing, but it also seemed to suggest that the effects of the recession will have a lingering impact on cultural values, not just economic activity.

"We're seeing a continued trend toward essential spending versus discretionary spending and a desire for Canadians to opt for no-name over brand names and bargain-hunting over impulse purchasing," said Bensimon. "On a lifestyle front, the burden of debt is resulting in delayed retirement plans, changing education savings plans for children, and siphoning extra spending money to pay down debt rather than investing, saving or purchasing in 2010."

Here are some highlights from the study:

- More than half of Canadians say they are better off than they were a year ago and over 80 per cent think the economy and their own situation will be even better a year from now.
- Although optimism is growing, many Canadians remain burdened with personal debt and have been impacted in ways that will have long-term implications.
- Over half of Canadians believe that they will have to delay retirement due to their financial situation and 40 per cent of parents are re-adjusting their education plans for their children.
- Despite high levels of optimism about the economy, the culture remains one of thrift and frugality, not spending and extravagance, say study authors.
- Compared to a year ago, 65 per cent of Canadians report that they are doing more saving and less spending due mostly to large personal debt.
- 92 per cent of Canadians say they are considering "need" over "want" when it comes to spending, and most Canadians report that their spending remains much lower than it was a few years ago.
- Spending restraint remains "in" and conspicuous consumption remains "out" - except among the highest income brackets.
- Over 80 per cent of Canadians are opting to buy generic products over brand name products.

The Gandalf Group conducted qualitative and quantitative research to produce the Consumerology Report. A national proportionate quantitative online survey was conducted in English and French with 1,500 Canadians between February 23rd and March 1st, 2010.

Sporting goods category helps drive retail sales increase

According to Statistics Canada, retail sales rose 0.7% in January to \$35.7 billion. Stores selling home improvement products were large contributors to the gain in January, the final month of the federal government's Home Renovation Tax Credit.

Sales increased in six of eight retail store sectors in January. The largest contributor to the overall increase was a 7.4% rise at building and outdoor home supplies stores, the highest monthly growth rate for this type of store since August 2003 when a power blackout hit Ontario. Within the sector,

home centres and hardware stores saw sales rise 6.0% and specialized building material and garden stores sales increase 14.0%. The 1.1% rise at miscellaneous retailers was led by a 3.3% gain at sporting goods, hobby, music and book stores.

Retail sales rose in seven provinces in January. The largest contributor to the national increase was Ontario, where sales rose 1.4% after slight declines in the previous two months. The highest growth rate among the provinces in January was a 2.1% rise in Newfoundland and Labrador. January's rise offset declines in the previous two months.

MARCH FINANCIAL HIGHLIGHTS

ECCO

- The ECCO Group pre-tax total income amounted to DKK 459.7 million compared to DKK 745.9 million in 2008, a decrease of DKK 286.2 million or 38%.
- In 2009, ECCO achieved total net sales of DKK 5,041.2 million, a fall of 6% compared to 2008.
- The Group total income for financials, etc., was DKK 496 million compared to DKK 827 million in 2008.
- The profit margin was 9.8% in 2009 compared to 15.4% in 2008.
- ECCO says it worked through the poor market conditions and continued its expansion strategy by opening 140 new stores, bringing the worldwide total to 901 stores. ECCO also extended its global presence by increasing the number of shop-in-shops to 1,278.

lululemon

- Fourth quarter net revenue increased 55 percent to \$160.6 million over the same period last year.
- For the Q4 period that ended January 31, 2010, the Vancouver-based yoga and lifestyle apparel reported net revenue from corporate-owned stores was \$137.4 million, an increase of 52.2% from \$90.3 million in the fourth quarter of fiscal 2008.
- Comparable-store sales increased by 29% on a constant-dollar basis.
- The company's gross profit for the quarter increased by 67.6% to \$86.6 million, and as a percentage of net revenue gross profit increased to 53.9% for the quarter from 49.7% in the fourth quarter of fiscal 2008.
- Net revenue for the fiscal year increased 28.1% to \$452.9 million from \$353.5 million in fiscal 2008.
- Net revenue from corporate-owned stores was \$393.5 million, an increase of 24.7% from \$315.5 million in fiscal 2008, and comparable-store sales increased by 9% on a constant-dollar basis.

Brown Shoe

- Brown Shoe Company, Inc. reported higher than expected results for the fourth quarter of 2009, saying that net sales increased 8.6 percent versus the year-ago quarter.
- Gross profit rate in the fourth quarter of 2009 increased by 390 basis points, versus the same period last year, to 41.1 percent of net sales.
- Net earnings attributable to Brown Shoe Company, Inc. were \$5 million in the fourth quarter of 2009, or \$0.12 per diluted share, compared to a net loss of \$153.0 million, or \$3.68 per diluted share, in the fourth quarter of 2008.
- Adjusted net earnings for the fourth quarter of 2009 were \$8.1 million, or \$0.19 per diluted share, compared to an adjusted net loss of \$11.5 million, or \$0.28 per diluted share, in the year-ago period.

Nautilus

- Fitness company Nautilus, Inc. announced unaudited results for the fourth quarter and full year ended December 31, 2009.
- For the quarter ended December 31, 2009 the Company reported net sales from continuing operations of \$53.7 million, compared to net sales from continuing operations of \$63.9 million for the fourth quarter 2008.
- For the year ended December 31, 2009, the company reported net sales of \$189.3 million, compared to \$283.7 million for 2008. The decline, they say, is a reflection of the challenging economic environment, reduced credit approvals in the direct business, and retailers' reluctance to replenish inventory levels.
- The Company generated net cash from operating activities of \$14.8 million for the full year 2009 compared to \$4.4 million for the comparable period in 2008. The improvement is primarily the result of increased accounts receivable collections, inventory reductions and receipt of a U.S. federal income tax refund.

adidas Group

- In the fourth quarter of 2009, the adidas Group's net income attributable to shareholders decreased 64% to € 19 million (2008: € 54 million).
- Despite a 53% decline in operating profit, the company generated a 141% increase in net cash from operations for a record € 1.2 billion, according to adidas Group CEO Herbert Hainer.
- Fourth quarter currency-neutral Group sales remained stable compared to the prior year. Currency-neutral Group sales in North America declined 7% in Q4. However, for the first time since the acquisition, Reebok brand sales in this important region were up 4% during the quarter.
- In 2009, Group revenues decreased 6% on a currency-neutral basis, as a result of lower wholesale and other businesses sales, which more than offset an increase in retail revenues.
- Currency-neutral wholesale revenues decreased 9% during the period, impacted by declines in both adidas and Reebok sales.
- Currency-neutral retail sales increased 7% versus the prior year as a result of higher adidas and Reebok sales.

NIKE

- NIKE, Inc. reported financial results on March 17, 2010 for its fiscal 2010 third quarter ended February 28, 2010.
- Third quarter revenues increased 7 percent, from \$4.4 billion last year to \$4.7 billion in the current year. Excluding changes in currency exchange rates, net revenue was up 2 percent compared to the same quarter last year.
- Third quarter net income was \$496 million or \$1.01 per diluted share, compared to \$244 million or \$0.50 per diluted share in the same period last year. Results from last year included a \$241 million, after-tax non-cash charge related to the impairment of goodwill, intangible and other assets of the Company's Umbro subsidiary. Excluding this charge, net income and diluted earnings per share both would have increased 2 percent.
- Worldwide futures orders up 9 percent; up 6 percent excluding currency changes
- Inventories down 13 percent versus prior year

EXECUTIVE PROFILE (cont'd from page one)

Last year was a tough year for adidas globally. How did adidas Canada fare in the aftermath of a year your CEO, Herbert Hainer, characterized as "the most difficult since I became CEO of the Group?"

I gave a presentation to our entire company 18 months ago about the brands that would come out of this recession stronger... brands that continue to invest in marketing, brands that service their customers better than anyone else, brands that have strong relationships, brands that have leading edge products. Our company had all of these traits, we're the leader in service, we're a very strong marketer, we have the best relationships in the industry, we have the most experience in the business. That was the security blanket for our employees. We also have so many long tenured employees who have seen the economic ups and down. Young employees who were concerned about the uncertainty were asked to, "Look around the room and talk to the person next to you, because they've been through this before."

That was our going in position: that we wanted to come out of this recession stronger than we've

ever been, and we did. We had record sales and record market share last year in Canada for adidas and for TaylorMade.

Can you tell me what those sales were?

No (laughs)! I can say there was lots of good, hard work by our 600 Canadian employees to achieve these results.

Many adidas units around the world have now been restructured. Was there any restructuring here in Canada?

No, we're one of the only markets that didn't restructure. In fact, our employment is up considerably. Part of that is because we opened stores (in Niagara Falls, Kingston, Burnaby, and Saskatoon).

What are the core divisions in Canada?

It's simple. We have four key divisions. The first is the performance division. It's all about helping athletes perform better, and then deriving inspiration from athletic performance. Second, our style division style. This is our Originals division. It's about product that was born in sport but really lives in contemporary lifestyle. It's very much

growing. With our Originals brand, we're giving the consumer an invitation to celebrate individuality. The third division is new for us – our team division. We've always been a good supplier of uniforms to soccer clubs across the country and around the world. Two years ago, we bought a small manufacturing company in Brantford. We're manufacturing team uniforms there now and have the ability to outfit 11 sports. We saw it as a significant opportunity to talk to the young consumer, to win their hearts on the field of play. The fourth division is the golf division, TaylorMade adidas Golf. Quite simply, the best players in the world play TaylorMade.

What are some the strengths of the adidas brand?

The first thing is that we're global. Every year, we're in the top 15 most recognized brands around the world. We have a product and marketing engine that is very powerful in bringing relevant products to market and of course, we always have our heritage to fall back on. Finally, there are our values – they're values that people appreciate, that Adi (Adolph) Dassler instilled in the company when he founded adidas back in the 1920s.

What are those values?

Commitment. Honesty. Integrity. Innovation. Passion. People here live and breathe what they do. When we look at perspective employees, we start with values. We look for people who embody those values. They're our foundation, and they are never going to change.

What are some of the strengths as you see them of the Canadian operation?

We've got a beautiful cross section of people with a tremendous amount of experience and a tremendous amount of commitment. We have people with a proven record of success to fall back on, and we have new up and coming talent, who will be the experienced ones five, ten years from now.

We also have the ability to create demand for the consumer.... we build it from the store out. For instance, we have a shop-within-a-shop initiative at Forzani for our Clima® moisture management

apparel,. And at Foot Locker, we not only launch product on a monthly basis, we regularly develop integrated marketing programs to help support the sell through of our products. An example of this is taking the latest skate model and s marketing in the window of the store. We would then follow up with an integrated in store program, a shoe table inside the store , a shoe wall marketing piece, and a program to motivate and inspire the staff to sell our product.

How do the needs of the Canadian retailer differ from those in other markets?

There's not really a big difference. If you look at the core foundation a retailer needs, whether here, Germany, or in the US, they all need profitability and they need customer service. Everything we do drives those two things: the global nature of the brand and the product we design and distribute, the marketing programs we launch and how we service our accounts all contribute to sell through. Sell through drives profitability and this is true no matter what country or retail industry you operate in. What is different is the retail landscape.

What impact has the Canadian retail landscape had upon adidas as a supplier?

In Canada, the local general sporting goods retailer has, essentially, been eliminated. For the most part, retailers today are either a specialist or they're a key account. We like the fact that the industry is specialized because we compete in all those areas – soccer, running, team and originals. It doesn't really pose a challenge. It presents an opportunity.

What are some of adidas Canada's biggest challenges?

From a customer standpoint, the biggest challenge is probably managing private label. It really started about eight to ten years ago, with vertical retailers like the GAP. They could bring things to market faster. Most of our key customers can now source and develop technical product at a very reasonable price. The brands are drawing people in, and we understand that private label is

a part of business, but it's a challenge for sure, when it comes to our customers. Internally, managing the fluctuating Canadian dollar is probably one of our biggest challenges. We're on long sourcing lead times, and we also have hedging policies that we have to follow. Recently, the dollar has also been fluctuating significantly. A third challenge – and one we thrive on – is keeping up with the consumer. Twenty years ago, when I started at this company, the consumer's habits and needs didn't really change. Now their needs and wants change all the time. They are a lot more savvy. The big thing with the consumer today is that they no longer want to be spoken to. They want to be spoken with... it's a two way dialogue. For us, this has meant investing a lot of time and energy to understand consumers groups and how we can become more personal with them. We've already seen this in golf, where you can customize your TaylorMade clubs. miCoach and miadidas are also examples of this move towards personalization. It's about how we talk to the consumer. How can we get a dialogue going, and make it two-way? It's also about product. How can we become more personal with our customers?

What are some of your greatest success stories as a Canadian supplier?

Last year's record sales – that's one success story for sure. And also, the Olympics, which is a little surprising. adidas has always been about enhancing athletic performance for all athletes, whether it's running, basketball, soccer -- bobsled, luge, cross country skiing, or biathlon – and you can imagine how much money we don't make in those four categories!



adidas luge shoe

We are the only brand in those categories, and many may think we were just trying to gain exposure, but really, it's our legacy. If you look back to the Games in the 1960s, we were the only brand in those categories back then, too. It's all about our commitment and about being authentic in helping ALL athletes performs better.

What is the vision you follow for adidas Canada?

The overarching thing – the vision of the company – is that adidas is all about being the best sports brand in the world. Nowhere in there does it say the biggest. It's all about the athletes, and it's all about ALL sports – not just the commercially viable ones. That's why you see us in the NBA on every single athlete, that's why you see David Beckham and Mike Weir wearing adidas, and that's why you see us on the Canadian bobsled and luge teams... it's about being the best, best in service, best products, best marketing, best distribution network. If we become the biggest because of that, so be it.



What do you tell young people at adidas about how to get ahead in their careers?

I tell them that the best way to get ahead in this company or any company out there is to excel in the role you're in right now. Put your nose down, try to do your best, and you'll get recognized.

With Ann Mack, director of trendspotting for JWT Intelligence, a New York City based division of the JWT marketing communications brand, and one of the creators of “JWT’s 100 Things to Watch for in 2010.”



What methodology did you use to create this list of 100 trends for 2010?

We’re constantly doing quantitative and qualitative research, given what we do here in the trends group. So some of it is based on that, and some of it is based on input from our trends scouts all over the world. They keep their ears to the ground and let us know what’s going on in their markets, and we let them know what’s going on here. We tried to make it a pretty global list, including different trends from different areas of the world.

Many of the items on our list reflect broader shifts we’ve been following, from growing awareness and action around health and wellness and the environment to warp-speed developments in technology. When we do these watch lists, we like to do them in the year that is upcoming. These are tangible things that will manifest themselves in our everyday lives.

No. 44 on your list is “ironic sports.” What are they?

Ironic sports combine different sports. This is how we define it:

“Disenchanted with the regulated uniformity of traditional team sports, athletes in cities worldwide are inventing their own, generally a combo of team and urban sports that appeal to the players’ sense of individuality. Sports like bicycle polo, beach tennis, and roller derby will continue to gain momentum.”

I actually met some folks at a fundraiser who did polo on top of elephants. This was in Africa. Ironic sports definitely appeal to people’s penchant for individuality as well as extreme sports. Interest in extreme sports has been growing over the years.

Can you give any other examples of ironic sports?

I actually saw this one on a television program called *The Bird Men*. It’s not just sky diving, it’s extreme sky diving. They wear these suits that make them fly. The suits are not parachutes but rather aerodynamic wingsuits (Info: www.bird-man.com) and they fly right next to mountains. It’s the scariest thing to me!

How can sporting goods retailers tap into this trend – or can they?

Obviously the ones that we spoke out in our trend description, the bicycle polo, the beach tennis, and the roller derby, are out there enough that they can leverage that. But they can also inspire their consumers to customize their own sport by looking around at their own merchandise. Of course, they will want to make sure they’re not liable for anything that might happen! But think about how, as kids, we often took whatever sporting equipment was in the garage and made up games to play. This is sort of about re-embracing your inner child and making sports up as you go along.

No. 75 on your list is “Retail as Third Space.” What is the third space?

We define this trend as:

“Retail spaces will serve as a “third space” that’s only partially about shopping. Cash strapped consumers can enjoy free services and entertainment or just socialize, while the retailer attracts more potential shoppers. Apple stores are a prime example; now Apple’s Steve Jobs is leading a revamp of Disney stores to make them more experiential. In China, IKEA has become a day trip destination, whether or not consumers have any intention to buy.”

Are there pitfalls for retailers who get into this type of experiential retailing?

I think it depends on what kind of retailer you are. Quite frequently, retailers are of the old school thought, “You’d better buy, and not just browse.” But look at how successful Apple has been with this model. People go to Apple stores to play, and the more they play with the technology, the more they love the technology, and the more they are loyalists to the Apple gospel. So if you do it right, you can create the potential of more sales that you could ever imagine.

We’re seeing more demo days at trade shows, where buyers can test products before they order them for their stores. But how can retailers in the sporting goods industry create more of a sense of an experience in their store environment?

A lot of try-before-you-buy could happen. Have things readily available that people could try! This could sound pie-in-the-sky, but you could also create courts outside where your customers could try these things. After they buy, allow them to go and play on this court or rink. They don’t have to be the full-scale versions; they could be mini versions where the customer could play with the basketball or the ice skates. When you get new stuff in, the consumer will be more apt to try it and potentially buy it. You could make it very experiential. When people are hanging out, they are more likely to try new things that they may not have otherwise considered.

JWT's 100 Things to Watch in 2010, unranked and in alphabetical order (full descriptions of each can be found in the "2010 and beyond" section of JWTIntelligence.com):

- | | |
|---------------------------------------|--------------------------------|
| 1. 3D at Home | 14. Coconut Water |
| 2. Airline Subscriptions | 15. Composting |
| 3. Alternative Measures of Prosperity | 16. Contemporary Indian Art |
| 4. Alternative Metals in Jewelry | 17. Cordless Power |
| 5. Asia's Widening Income Gap | 18. Customized Pharmaceuticals |
| 6. Augmented Reality | 19. Deficit Neutral |
| 7. Bacon Everywhere | 20. Donald Glover |
| 8. Bio-Based Airplane Fuel | 21. Dry Shampoo |
| 9. Boeing 787 Dreamliner | 22. East Africa Wired |
| 10. Bogotá | 23. Electric Car Networks |
| 11. Brighter Colors | 24. Electric Cars |
| 12. Buycotting | 25. Electronic Libraries |
| 13. Carey Mulligan | 26. Ellen on Idol |

27. Energy Dieting
28. Ethical Fashion
29. European Free Speech
30. Exotic Berry Flavors
31. Fermentation
32. Fernando Torres
33. Foursquare
34. Gambling in Singapore
35. Gaming Software
36. Green Retrofits
37. Greening the Palate
38. Hand-Me-Ups
39. Handwriting
40. Harry Potter in Orlando
41. Haute Fashion on eBay
42. Hybrid Boats
43. Impact of the U.K. General Election
44. Ironic Sports
45. Japan on the Sidelines
46. Japan's First Lady
47. Jay Chou
48. Kindle Rivals
49. LED Bulbs
50. Li Ning
51. Lifestreaming
52. Lionel Messi
53. Little Boots
54. Local, Nonprofit Online Newspapers
55. Lost Series Finale
56. Luxury Goes East
57. Marina Silva
58. Mia Wasikowska
59. Michael Jackson Tribute Concert
60. Mobile Money
61. Mobile Ticketing
62. More Virtual Currencies
63. New Portrait of Hispanic America
64. "Nutrition-Washing"
65. Obesogens
66. Organic Fast Food
67. Pandemic Fatalism
68. Paying for Online Content
69. The Pirate Party
70. PlayStation 3 Motion Controller
71. Post-Lula Brazil
72. Pro Modding
73. Public Bicycles
74. Recycling Gray Water
75. Retail as Third Space
76. Return of the Water Fountain
77. Runaway Democracy
78. Silent Dance Parties
79. Ski Cross at Winter Olympics
80. Slow Beverages
81. Slow Communication
82. Spanish E-books
83. Spider-Man on Broadway
84. Spotify
85. Stephen Strasburg
86. Stevia
87. Tactile/Visual Design
88. Trip Bundling
89. TV for Tween Boys
90. TV/Web Integration
91. Urban Fruit Gleaning
92. U.S.-Cuba Ties
93. Video
94. Virtual House Calls
95. Volunteer Rewards
96. Water Footprint Tracking
97. The Waterless Washing Machine
98. The Wine-Tail
99. The Wonder Girls
100. Zach Galifianakis