

# INSIDEINSIGHT™

SPORTS RETAIL NEWS AND ANALYSIS



**N**ike, Adidas and Under Armour are locked in a new battle, not for the endorsement services of pro athletes or all-school contracts at major universities, but rather one that will surely be a supply chain 'game changer' and alter the rules as to how quickly regionalized assortments, special sizes and customizable footwear and apparel can be delivered to consumers in the years ahead. Given the fast-moving trends in the lifestyle apparel business, the need for full-margin product and the rising costs of transportation and labor in the Far East, the strategic pivots by all three firms appear spot on.

Nike is the latest to join the movement, announcing a strategic partnership with Apollo Global Management on August 19 that will enable the private equity firm to construct a new Americas' supply chain for Swoosh footwear and apparel in the region. Thus far, there has been no disclosure on how much of Nike's overall volume would be impacted by this development

or when first production will begin.

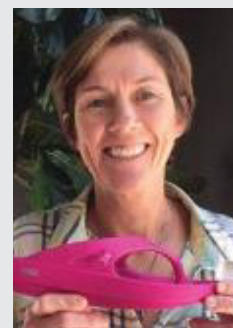
Apollo, expected to acquire existing apparel suppliers in North and Central America for the project, has already done so with purchases of Virginia-based ArtFX, a warehousing and logistics operator, and New Holland, a Pennsylvania apparel factory.

Adidas, not to be left out of the movement toward more regionalized assortments, is doing so with its SPEEDFACTORY initiative, which will come to a 74,000 square foot space in Cherokee County, GA in late 2017 and produce upwards of 50,000 pairs of running shoes initially on its automated assembly line. The first SPEEDFACTORY is slated to begin large-scale production next June or July in Germany.

Equally bullish on the concept of U.S. manufacturing for athletic apparel and footwear is Under Armour CEO Kevin Plank. UA intends to utilize a 35,000 square foot former Baltimore city garage for its Lighthouse innovation center, which it unveiled earlier this summer. ■



**LISTEN TO  
THE PODCAST**



**Duncan Finigan**, a marketing executive with OOFOS discusses the recovery footwear brand and talks candidly about her personal battle against metastatic breast cancer and how she has incorporated raising awareness into the brand's marketing message.

### **Olympics**

The big winners and losers in Rio.

### **Hibbett**

Making progress on key initiatives.

### **Foot Locker**

Confident in the future.

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**FROM THE EDITOR**

As we strapped on life vests and scrambled to establish our kayak pairings, he had some simple advice—Take a deep breath, enjoy the once-in-a-lifetime adventure and embrace the mud.

## Embrace the Mud

**E**arlier this month, I found myself in a party of nine extended family members at the Wailua River State Park on the Hawaiian Island of Kauai for an afternoon of kayaking and hiking to Uluwehi Falls, also known as the “Secret Falls.”

Mind you, this was a group ranging from 10-, 14- and 17-year old male cousins to myself, an overweight 53-year old man, and my wife of nearly 55 who is not known for her love of the great outdoors or swimming prowess. Most of our mid-August days in recent years have been spent lugging back-to-school shopping bags at Simon’s Premium Outlets in Wrentham, MA or moving a college student back in for the fall semester.

We were clearly out of our comfort zone.

And the tour guide, a patient 26-year old named Dontez, who had spent his entire life on the Garden Isle knew it.

As we strapped on life vests and scrambled to establish our kayak pairings, he had some simple advice—Take a deep breath, enjoy the once-in-a-lifetime adventure and embrace the mud.

At that moment, I thought of a spot in Nike’s new, global ad campaign “Unlimited” that I had seen a few nights earlier. The “Unlimited You” commercial, part of a series “Unlimited” spots that broke around the globe during Rio, embraces all athletes, regardless of skill or age, and encourages them to reach their full potential and adopt an ‘unlimited’ mindset. The “Unlimited You” spot, which has had more than 36.3 million views on Youtube, has a great tag line—“Life isn’t about finding your limits. It’s about realizing you have none.”

In development for more than a year, Nike marketing execs and the geniuses at Weiden & Kennedy set out to create an all-encompassing effort that closes the gap between elite athletes and everyday ones, represents all countries and all sports, and finds a way to get all consumers to see themselves within the storylines. Unlimited Courage, Unlimited Youth, Unlimited Fight and Unlimited Future are other versions. Midway through this month, Nike execs told *Adweek*, these short stories in aggregate across multiple platforms had generated 275 million views across multiple platforms.

Back in Kauai, our party carried on and completed the adventure, not in record time but no longer overcome with fear. We were Unlimited. We had embraced the mud. ■

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**INSIDE  
INSIGHT**  
SPORTS RETAIL NEWS AND ANALYSIS

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**HOT TOPICS**

UA opened its NYC Brand House in 2014 and has even bigger plans for the future.



The Swoosh is reportedly itchy to vacate its NYC Niketown space.

## Big Apple Slices

**T**he retail consolidation, which has marked 2016, hasn't hampered the race among the Big Three—Nike, Adidas and Under Armour—to secure new, showcase real estate in the heart of New York City.

Some say the sheer size of the diverse population in the nation's largest market, coupled with its scores of international and national tourists and number of key Wall Street analysts and bankers who call it home, make it a necessity to put on your best 'game face' in the Big Apple. No matter what the cost.

Critics, however, argue the enormity and price of these retail spaces puts tremendous pressure on companies to deliver steady results and monthly comparable sales gains. In reality, however, having these showcases, where the entire breadth of a brand can be displayed under a single rooftop, is likely a necessary marketing cost of doing business in today's environment.

Nike was the first to open a marquee flagship in the Big Apple—a Niketown in the mid-1990s on property at 6th East 57th Street that is controlled by one Mr. Donald J. Trump. But The Swoosh is reportedly itchy to vacate once its lease expires in May 2017 (Although it does own three five-year lease extensions.) given recent NYC real estate moves by rivals Under Armour and Adidas.

Adidas struck first, securing a 34,000 square foot space at 565 Fifth Avenue at 46th Street last December that will open this fall and be The Three Stripes' largest North American store. Retail neighbors to the three-story, modern glass structure include North American flagships for the likes of Guess, Topshop, Sephora and Karen Millen. Earlier this month, Adidas opened a separate, new Originals store in downtown New York.

Two Nike bids to secure other prime real estate for its Big Apple Niketown have fallen short. In December 2013, the Swoosh had it eye on more than 40,000 square feet of space at 640 Fifth Avenue, according to the New York Post. But that space will now be a Victoria's Secret flagship.

But perhaps more disappointing to Nike was its subsequent failure to secure 53,000 square in the General Motors Building on Fifth Avenue between 58th and 59th Street, located on stretch known for its high rents and bustles of year-round tourists. Prior tenant FAO Schwarz, owned by Toys R Us Inc., paid a reported \$20 million annually in rent for the space before it exited in July 2015 due to the high cost. Under Armour, which secured the prime property, is promising to put "the world on notice" when it opens its doors there in 2019. ■



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## INSIDE RIO



Sports Illustrated's cover shot of gold medal winners Katie Ledecky, Michael Phelps and Simone Biles.

## Olympics Score on Social Media

Average primetime television viewership of the Rio Games may have been off from the 2012 London event, but the Olympics more than measured up on social media. Twitter users sent 187 million tweets during the 16 days of competition, resulting in 75 billion impressions, and 227 million people interacted with 1.5 million Olympic-related posts on Facebook. An estimated 50 million viewers streamed 3.4 billion minutes of Rio coverage via the web, mobile and connected devices.

From a television perspective, according to Ace Metrix, Dick's Sporting Goods and Nike were ranked among the Top 10 "Breakthrough Ads" for airing spots that struck strong chords with viewers. The retailer's 60-second "The Contender" commercial snared a silver medal with its 739 "likeability" and 746 "attention" score from Ace, second only to Procter & Gamble's gold medal ad, "Thank You, Mom-Strong." Another Dick's spot, "Vault. Sleep. Repeat." was ranked fifth by the Los Angeles analytics firm.

Nike's "Unlimited You" spot from its ongoing Unlimited campaign ranked 10th with a 742 attention score and 696 for likeability for its inspiring and relatable stories for the athlete in all of us. According to Google research, more than 34 percent of consumers remembered seeing a spot in The Swoosh's Unlimited campaign. Nike, an Olympic sponsor, saw its shares rise 7 percent during the Games. Meanwhile, Under Armour, a non-sponsor of Rio, was the top brand for aggregated breakthrough and ninth among all brands.

Due to strict trademark guidelines enforced by both the International Olympic Committee and U.S. Olympic Committee, corporations have to walk a marketing tightrope when promoting around the Games. Still, there were plenty of storylines around Team USA's dominating performance in Brazil with 121 medals, including 46 gold and 42 percent more than China (70) and 45 percent more than Great Britain (67).

And, as detailed by numerous publications including Investor's Business Daily, there were plenty of "Winners and Losers" at Rio. *Sports Illustrated's* cover shot of gold medal winners Katie Ledecky, Michael Phelps and Simone Biles was considered a "win" for Nike and "loss" for Under Armour by some accounts since the retiring swimmer and 23-time gold medal winner Phelps, a longtime UA athlete, was wearing Nike sweats in the shot.

But Under Armour could hardly be considered a "loser" at Rio. UA shares rose about 10 percent during the Games as the brand's 225 sponsored athletes included the Team USA women's gymnastics team that dominated. Puma was also a "winner" at Rio given the success of the "World's Fastest Man" in Usain Bolt as fib teller and former Speedo sponsor Ryan Lochte was Team USA's biggest loser in and out of competition. ■

**INSIDE RETAIL**

## Hibbett Sports Making Progress

**T**he small market chain, currently in pilot mode on a new point-of-sale system, intends to introduce it into all 1,058 locations by the end of third quarter. More importantly, Hibbett hopes to begin testing store-to-home capability on the Oracle system by the end of its fiscal year. Also, the Alabama company has tapped Demandware as its digital strategic partner and hired an internal team to get its omnichannel strategy off the ground and eventually become 10 percent of the retailer's revenue base.

CEO Jeff Rosenthal thinks footwear and team sports are the biggest opportunities for Hibbett within the ecommerce space, including extended shoe and cleat sizes and customized products.

In the second quarter, Hibbett generated a 0.8 percent comparable store sales increase as total revenues rose 3.9 percent to \$206.9 million for the period ended July 30. Apparel was off low single digits as soft performance product dragged on improved results from lifestyle offerings. Denim twill and polos offset decline in performance, particularly compression, in the men's business that was up mid-single digits. Women's was off high single digits; team sports down low single digits.

Puma and New Balance showed significant gains in lifestyle footwear and basketball was up double-digits, Hibbett reported. The Adidas Boost platform had "very strong results" and early response to the brand's AlphaBounce products was described as "exceptional." ■

## Sportsman's Warehouse: Competitive Headwinds Will Moderate in H2

**T**he outdoor specialty chain, which continues to see its new standard and smaller-format stores outperform its expectations, is encouraged by positive sales trends in the categories of hunting/shooting and fishing and believes "competitive headwinds" will moderate in the second half of 2016.

In the second quarter, Sportsman's Warehouse generated a 2.9 percent same store sales gain as total revenues improved 13.7 percent to \$189.8 million. Firearm unit sales were up 30.8 percent year-over-year, but senior management confirmed the category is "moderating back to what we would consider a normal level."

Sportsman's Warehouse, set to complete its 11 planned openings in the third quarter, has revealed four locations for 2017 stores—Cedar City, UT; Moses Lake, WA; Wilmington, NC; and Morgantown, WV. ■



Revenues rose at Hibbett in the second quarter.

### RETAIL BRIEFS

**DSW** is opening 21 stores before Halloween stretching from California to Connecticut to bring the chain's store total over the 500.

**Macy's** will shutter an additional 100 doors, about 15 percent of its current base, by the end of its fiscal year. Locations haven't been announced yet. The planned closures, most underperforming locations, are in addition to the 40 announced earlier this year. The department store, which will take a short-term hit to its top line from the closures, intends to put greater focus on its digital business.

**Modell's**, which is now partnering with Zimmerman Advertising of Fort Lauderdale, extends its door count to 156 with its 11th store in Brooklyn, NY and another in Mount Kisco, NY.

**PayPal** and **VISA Inc.** are collaborating for the first time, likely signaling more secure digital payment options for consumers and merchants. Under the agreement, consumers will be able to pay with Visa cards on PayPal and PayPal will join the Visa Digital Enablement Program (VDEP) to expand point-of-sale acceptance and enhance transaction security.

**INSIDE ADS**



## Go Gold

“Gold in US” campaign from Dick’s Sporting Goods, launched as the Summer Games commenced in Rio, focused on seven Olympian/Paralympian hopefuls as they prepared to “dig for gold.”

**Dick’s Sporting Goods**, the Official Sporting Goods Retail Sponsor of Team USA, used its Contenders program to employ more than 200 Olympic and Paralympic hopefuls at over 100 of its stores. Dick’s reported that 31 athletes in its in-store employment program qualified for Team USA. Those featured in the 60-second commercial included gymnast Danell Leyva, a bronze medalist at the London Games, gold medal winning boxer Claressa Shields and fencer Daryl Homer. All the information was available at [www.dicks.com/TheContenders](http://www.dicks.com/TheContenders).

The Dick’s Foundation will donate \$1,000 for every Olympic and Paralympic Games medal won in Rio, divided among USA Diving, Fencers Club, U.S. Association of Blind Athletes and Ability 360. ■



## Go Big

BBDO created Kids Foot Locker’s Back-to-School spot called “Swap,” featuring Kyrie Irving of the NBA Champion Cleveland Cavaliers and focused on Nike footwear, apparel and accessories, including the new Kyrie 2.

Beyond the ad, Kyrie Irving is supporting **Foot Locker’s** partnership with the Boys & Girls Clubs of America. Consumers who donate to Kids Foot Locker’s Third Annual “Add-A-Buck” campaign starting September 1 with a \$1, \$3 or \$5 donation at checkout will receive an Irving poster. ■



**IN & OUT****On The Move**

**VF Corp.** made a number of changes in its executive suite last month. **Vans** promoted 12-year company veteran Doug Palladini to global brand president. Previously, he spent nine years heading global marketing for the brand before becoming VP/GM of Vans North America in 2013. In his new role, he will spearhead the strategic direction of Vans globally with responsibility for global marketing and product and sales in the Americas.

Meanwhile, Jim Pisani, president of VF's Licensed Sports Group, which includes MLB on-field uniform licensee **Majestic** and may be divested by VFC, is the new global brand president for **Timberland**. There, he replaces Stewart Whitney, who left the company in July. Mike Pardini, VP of sales for the VF Licensed Sports Group, has been promoted to president of the unit.

**Academy Sports + Outdoors** has hired former Walmart executive Michelle J. Gloeckler to become its chief merchandising officer and president of Academy International Limited, the global sourcing unit of the Katy, TX-based retailer, as of August 29. Before her seven years at WMT, Gloeckler, named one of the 50 Most Powerful Women in Business in 2015 by *Fortune*, worked for The Hershey Company for two decades.

**Bridgestone Golf** has hired Vera Bradley executive Angel Ilagen as president and CEO where he will oversee all of the Covington, GA company's operations, including product planning, sales and marketing. Before his stint as EVP and chief marketing officer for Vera Bradley, he was chief marketing officer for Pandora Jewelry and previously worked for Newell Rubbermaid, Bristol-Myers Squibb and General Mills.

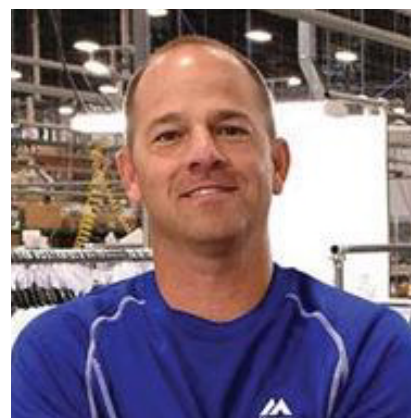
**Lululemon** director Rhonda Pitcher, a position she had with the company since 2005, resigned earlier this month.

**Wolverine Worldwide** expands the role of Mike Jeppesen, president of its global operations group, to include president of the company's Heritage Group, which includes the Bates, Wolverine, HyTest and Harley-Davidson brands. He replaces Ted Gedra, who recently retired from WWW after 30 years.

**K-Swiss**, also known as **K-Swiss Global Brands**, is relocating its global headquarters to downtown Los Angeles from Westlake Village, CA on Jan. 1. The new headquarters will house global ops for the K-Swiss, Palladium, SUPRA and OTZ Shoes and the Americas ops for Palladium and PLDM. K-Swiss is a division of E.Land USA, a unit of South Korea-based E. Land Group. ■



Doug Palladini is the new global brand president of Vans.



VFC's Jim Pisani moves to Timberland from Majestic Athletic.



Academy Sports + Outdoors names Michelle J. Gloeckler as its chief merchandising officer.

## IN THE NEWS



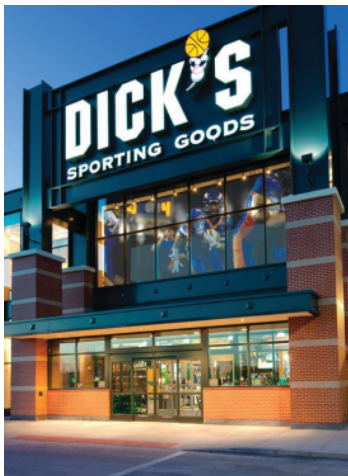
Nike is bolstering its digital initiatives.

### Nike Aims for Stronger Connectivity

August developments at Nike signal a further strategic shift for the company, reducing further investments in the sports equipment business by exiting the golf club business and entering more projects with digital ties and consumers' increasing appetites to purchase footwear and apparel from their mobile devices.

Prior to opening ceremonies in Rio, Nike acquired Virgin Mega, a dozen staffed start-up to launch a New York City-based digital studio that will expand the "community and functionality" of the brand's core mobile experiences. Separately, the company, which already has 10 iPhone apps and two additional for the iPad, published three open-source projects GitHub. Observers and published reports suggest that move was made to bolster the brand's digital image and attract new technical talent to the company and its effort to connect with iGen consumers.

Adam Sussman, Nike's VP and chief digital officer, says the digital studio will initially work on expanding the community and functionality of Nike's core mobile experiences. On Aug. 2, the company debuted its new Nike+ app, available for iOS and Android in the U.S., with signature services such free shipping, 30-day product trials and the ability to book appointments with in-store experts.



Footwear and ecommerce are getting attention at Dick's.

### Dick's Continues to Make Key Investments

Additional full-service footwear departments within key stores and more expenditures on ecommerce ahead of the retailer's full takeover of its website in January 2017 are a big part of \$50-55 million in planned additional spending this fiscal year. At the end of the second quarter where 2.8 consolidated store sales growth exceeded its guidance, Dick's had 117 premium full-service footwear departments operating. Another 70 are scheduled to open before the holiday season. Additionally, DKS is vowing to elevate its online footwear business through improved content and a broader assortment. In the period, the retailer's ecommerce sales rose 26 percent to account for 8.5 percent of nearly \$2 billion in consolidated revenues.

Dick's "is poised to pick up long-term market share" from the demise of one-time chief rival The Sports Authority, CEO Ed Stack told analysts last month. But he added, the company is remaining conservative on its immediate outlook "until we get more distance from the liquidation events" that removed approximately \$400 million in inventory from the retail market in a short period. The liquidated Sports Authority merchandise included about one million pairs of cleats and over two million pairs of athletic footwear, Stack added.

Dick's acquired the rights to 31 Sports Authority store leases, the majority in California and Florida where the banner is underpenetrated, but is unlikely to open them all due to an inability to secure new lease terms for some locations. In an additional development, the retailer recently acquired Affinity Sports, a San Diego-based management technology company that will provides various national governing bodies of U.S. youth sports and large-scale organizations with key services under the Dick's Team Sports Headquarters platform.

## Foot Locker Experiences Higher Traffic, Footwear ASPs

Foot Locker is promising a new look for its SIX:02 concept, partnership spaces with a number of vendors and “pinnacle footwear experiences” when it re-opens its 34th Street flagship store in New York City.

The space was being revamped during the second quarter. But the retailer experienced a strong period nonetheless with a 4.7 comparable store sales increase on gains in basketball, running, classic footwear and apparel, a 5.0 percent increase in overall revenues to \$1.78 billion and a 6.7 percent improvement in profitability. Additionally, FL was able to keep its inventory in check during the period, up 1.7 percent versus the aforementioned 5.0 percent sales gain.

Average selling prices and units were higher in footwear from higher U.S. traffic. Apparel ASPs improved despite fewer unit sales as Foot Locker moves to more premium assortments. Men’s apparel rose mid-single digits; kids’ apparel increased double digits; and women’s apparel and accessories were described as challenged.

Foot Locker said its direct-to-consumers’ segment posted a comparable sales increase of 7.1 percent in the second quarter with its U.S. banner dotcom businesses increasing in the teens “with significantly higher growth rates” for Foot Locker digital in Canada and Europe. The company’s digital businesses overall are approaching \$1 billion in annual sales, the company said. However, Foot Locker’s Eastbay brand has been pressured, particularly in technical categories, and the business segment has moved to expand casual offerings.

In discussing the quarterly results with analysts, CEO Richard Johnson said the ongoing changes in U.S. mall anchor stores is not a negative to the company’s business. “...Our consumer is still driven to the malls as a place for social interaction with their friends. So we are confident that regardless of anchor positioning, we should continue to drive traffic into malls.”

## Adidas’ North American Revenues Grow

Bolstered by growth rates of more than 60 percent in both running and Originals, adidas North America revenues grew 23 percent in the second quarter to the equivalent of \$881.9 million. Operating profit soared nearly 348 percent to an estimated \$82.8 million as operating margin grew to 9.4 percent from 2.1 percent in the year-ago period. The company said it generated strong double-digit growth in running, training and basketball as well as adidas Originals and adidas neo. North American wholesale revenues exceeded own-retail sales in the region by more than five percent.

Citing a strong second half pipeline of new products to go with its strong first half results, the adidas Group is now forecasting a high teen improvement in revenues for the fiscal year, bolstered by double-digit increases in all markets with the exception of Russia/CIS. Annual profit from continuing operations is forecast to rise 35-39 percent for the FY to a range of \$1.01 billion to \$1.12 billion.



Foot Locker is confident in mall traffic.



Adidas is going strong in the U.S. market.

**IN THE NEWS**

Bauer Hockey's parent company is in debt.

## Woes Mount for Performance Sports Group

The publicly traded, financially strapped owner of Bauer Hockey and Easton Baseball/Softball, which has had three CEOs over the last eight months, last week hired investment bank Centerview Partners to help it address a mountain of debt. Late last week, several reports suggested Performance Sports Group would secure a 60-day extension on its loan to avoid a default on Aug. 29.

Meanwhile, PSG's former chairman Graeme Roustan, long a critic of the company's decision to open its own retail stores, announced he had hired investment banks Jefferies Group and Canaccord Genuity to explore making an acquisition bid. PSG's market capitalization stood at approximately \$82.9 million on August 25, down more than 87 percent from its 12-month peak of more than \$657.6 million.

Earlier this month, the Exeter, NH company lost more than half of its market value in a single week after announcing it would delay filing its annual report and could default in nearly \$450 million in term and asset-based debt. Moody's Investors Service quickly downgraded PSG's corporate rating, citing "the increased risk of a debt restructuring in the next year or two given the company's poor operating performance and the recent uncertainty..."

Making matters worse, Performance Sports Group is currently being investigated by both the U.S. Securities and Exchange Commission and Canadian regulatory authorities and is a defendant in a consolidated class-action suit in New York where plaintiffs allege the company pressured retailers into ordering merchandise to artificially inflate revenues.

Harlen Kent, a former Yankee Candle CEO, was seated as PSG CEO June 20 as the company lowered its fourth quarter and full-year revenue outlooks by 10 percent to approximately \$587 million for the 12 months ended May 31. Part of the Exeter, NH company's shortfall was rooted in a soft baseball/softball business and the impact of Sports Authority's Chap. 11 bankruptcy. In July, Kent said PSG would consolidate its baseball/softball operation by merging Combat operations into its Easton business.



TSG/Pure Hockey will operate 54 stores throughout the U.S.

## Pure Hockey Parent Acquires Total Hockey

Earlier this month, TSG Enterprises of Franklin, MA completed its bankruptcy court asset purchase of Maryland Heights, MO-based Total Hockey for \$22.5 million. With the acquisition, TSG assumes leases for 23 stores and two distribution centers. But 11 Total Hockey and Total Lacrosse stores and a third distribution center will be closed since their respective leases were rejected by the stalking horse bidder. Most of the doors set for closure, including ones in Denver and Centennial, CO, are former locations of Players Bench Corp., an eight-store chain acquired by Total Hockey.

With the acquisition, TSG/Pure Hockey will operate 54 stores throughout the U.S. and seven websites focused on hockey, lacrosse and goalie equipment. The company, founded in 2002 by David Nectow and Sal Tiano, will maintain an office in Total Hockey's home market of St. Louis. It remains unclear if the expanded business will set a strategy to rebrand all of its doors under a single banner.

## Badger Sportswear Selling Controlling Interest

The 45-year old, family-owned maker and supplier of value-priced team uniforms, performance athletic wear and fanwear into the team dealer market has agreed to selling a controlling stake to global equity firm CCMP Capital Advisors. The transaction is slated to close next month. Badger founders, Jerry and Bill Carr will re-invest a significant portion of their equity with Jerry remaining CEO and Chairman of the Statesville, NC company.

CCMP, created in 2006 out of the former JP Morgan Partners, has invested over \$16 billion in buyout and growth equity transactions since 1984. The company's current other consumer/retail holdings include Pinnacle Foods Group, which owns a number of grocery store brands, and Shoes For Crews, which it acquired in October 2015.

Badger executives and the representatives from the private equity firm declined to answer additional questions on the pending deal.

But in an issued statement, Jerry Carr said, "We believe CCMP's significant consumer and retail investment and operating expertise and its long-standing history of successfully working with family-owned businesses makes them the ideal partner to help take Badger to its next level of growth."



CCMP Capital buying into Badger Sportswear.

## Cabela's Investor Raises Stake

Elliott Management, the hedge fund pushing for changes at the publicly traded outdoor specialty retailer, has raised its Cabela's stake to 9.3 percent from 8.9 percent while retaining options to increase its CAB holdings to approximately 11 percent.

Securities and Exchange Commission regulatory filings show Elliott bought or exercised options to purchase 1.9 million CAB shares in the first quarter and 325,000 more in the second quarter. Observers believe Elliott's recent moves suggest its confidence in securing change at the Sidney, NE company.

But nearly nine months into an internal strategic review, Cabela's senior executives have yet to formally disclose any plans. Earlier this month, a D.A. Davidson analyst suggested the most likely outcome will be a divestiture of Cabela's credit card business—The World's Foremost Bank—that would reportedly net the company \$400 million in cash to use for a share buyback. And despite months of speculation, there has been no further word on a Bass Pro Shops-Goldman Sachs' offer for Cabela's retail operation.



Speculation continues to surround Cabela's.

## Wilson Football Gets Smart

As technology makes more inroads into team sports, a highly technical product is being introduced by Wilson Sporting Goods. The Wilson X Connected Football, available in early September, "marries the best in digital technology with the top performing football in the world to create an immersive gaming experience for fans that was not possible before," according to Bob Thurman, VP at Wilson Labs.

The ball is offered in both Official and Junior sizes and it comes with a free wrist coach, similar to those used by NFL quarterbacks, which has been designed to hold a player's phone on their non-throwing arm so there is no restriction in passing. The companion

**IN THE NEWS**

Wilson gets high-tech.

app is free from the Apple Store and via Google Play on September 8.

“By embedding a state-of-the-art, undetectable sensor in a football that connects to a cool app on a fan’s mobile device, every fan can become their favorite NFL team’s quarterback and create their own virtual stadium anywhere, anytime they want to play,” explains Thurman. —*Mike Jacobsen*

### Tough Comparison Hurts Champion Results

Champion brand U.S. sales were flat in the second quarter as mid-single digit revenue growth in the mass channel and mid-teens sales expansion in college bookstores was offset lower sales in the sporting goods, mid-tier and department store segments, parent Hanesbrands reported. The fall-off in those channels was blamed on bankruptcies and a tough year-over-year comparison.

Meanwhile, a decline in Hanes Activewear sales contributed a 3.6 percent drop in overall activewear sales to \$367.4 million for the period ended July 2. Hanesbrands has begun advertising and promoting “Fresh IQ,” a new odor control technology that is being incorporated into innerwear and certain Champion products. ■

**NEWS & NOTES**

**Billabong**, which has sold its Sector 9 business and focused its simplified organizational structure on core consumers and the specialty channel, says its Americas’ business posted improvements in the second half of its fiscal year. Comparable inventories were \$2 million in Australian dollars at year-end versus \$25 million at the end of second quarter. The company’s largest brands—Billabong, Element and RVCA—grew 4.1 percent year-over-year. Meanwhile, ecommerce revenue in the region grew 24.9 percent for the year to account for 5.7 percent of Americas’ annual sales of approximately \$364.4 million. North America retail sales fell 10.4 percent, including the planned closure of the Times Square New York store, and retail comps were down 6.3 percent.

**Fila USA** generated a nearly 27 percent increase in second quarter revenues to \$90.4 million. Profitability rose 65 percent to \$3.9 million for the period ended June 30 as operating margin improved to 7.52 percent from 6.0 percent in the year-ago period. First

half revenues were nearly \$161.9 million.

**Under Armour** makes a number of changes to its executive suite, including naming Kip Fulks as Chief Product Officer. Also, Colin Browne, most recently a VF Corp. VP and managing director, is named president of global sourcing. Former Amazon executive Andy Donkin is named chief marketing officer.

**Denver Broncos**, the NFL champions who open the 2016-17 season September 8, regained the naming rights to their stadium from a U.S. bankruptcy court judge on August 18. Bankrupt Sports Authority missed a \$3.6 million payment for those rights that was due August 1.

**Vista Outdoor**, which reported a 3 percent increase in first quarter revenues to \$630.3 million, recently opened a new, 33,000 square foot corporate headquarters in Farmington, UT. The parent of the Bollé, CamelBak, Bushnell and Bell brands, generated \$287 million in sales of outdoor

products for the period ended July 3, although organic revenues were off 16 percent on soft shooting accessory, optics and tactical sales.

**Zumiez** generated a 2.9 percent decline in comparable store sales for the period ended July 30. Total sales at the 673-door chain rose 1.0 percent to \$61.9 million as dollars per transaction rose but average unit retail sales fell.

**Fitbit** snares a legal victory over rival Jawbone as the International Trade Commission judge rules the company did not misappropriate any Jawbone trade secrets as alleged by the plaintiff.

**Garmin**, despite generating 29 percent growth in its fitness business in the second quarter, sees Goldman Sachs and Morgan Stanley cut their respective outlooks on the stock. Both investment houses cited rising concern over slowing growth in the company wearable fitness device segment, expected to generate a 7 percent revenue increase in the second quarter of FY17.

## INSIDE RUNNING

## Adidas Makes Inroads in U.S. Running

**M**omentum in the Three Stripes' running business is growing. In the second quarter, adidas Group running segment revenues, bolstered by a 35 percent increase in footwear sales, rose 30 percent with "strong double-digit sales growth in all major markets," the company said.

The brand's U.S. running business grew an astonishing 60 percent in the period ended June 30, sparked by strong reaction to two product stories—UltraBOOST and AlphaBounce. Adidas calls the UltraBOOST Uncaged its "fastest-selling performance (running) shoe ever" in the U.S., selling more than 11,000 pairs in the first hour, 16,000 pairs in 24 hours and 7,000 pairs through ecommerce in 15 minutes. Meanwhile, the UltraBOOST Uncaged with Color completely sold through during its first day on the market.

Adidas Group CEO Herbert Hainer, who leaves the German company at the end of next month, said the company specifically designed the AlphaBounce, a mid-priced running shoe, for the North American market. First shipments of the style sold out within 48 hours with all men's styles selling out online in under 12 hours.

Hainer also re-affirmed the brand's strategy to make BOOST the new EVA. "... This, of course, will be our main technological platform going forward on the mid and outsole side," he said. ■

## Japanese Brands Struggle in Q2

**M**izuno experienced ongoing softness in the Americas' region during the period ended June 30. Regional revenues declined 16.5 percent in Japanese yen to the equivalent of \$74.7 million. Mizuno Corp.'s overall second quarter footwear sales fell 2.5 percent to \$151.3 million. Quarterly apparel revenues were 2 percent higher to the equivalent of \$143.5 million.

At Asics America, meanwhile, "sluggish" running and tennis shoe sales in the U.S. contributed to a nearly 12 percent decline in local currency revenues in the first half ended June 30. In Japanese Yen, Asics America sales were down more than 17 percent year-over-year to the equivalent of \$524.5 million for the six months as the region's operating margin slid to 1.2 percent from 6.4 percent in the year-ago period. Results were impacted by changes in the U.S. retail landscape and "intensifying competition" in the U.S., the company said. ■

## Pearl Izumi Will Leave Run Segment

**P**earl Izumi has decided to exit the running category after 13 years, effective January 2017, to focus exclusively on its cycling footwear and apparel. The brand's product had generally been well reviewed by media and retailers, but it struggled to gain widespread acceptance in the run specialty channel where it focused its efforts. Pearl is not the only secondary run brand to face this issue. Market reports say Karhu is set to announce that its product will be carried exclusively by Fleet Feet stores. ■



UltraBOOST helps drive sales for adidas.



Revenues decline in Q2 for Mizuno.



Pearl Izumi is exiting the running business.

NUMBERS IN PLAY  
Weeks of 8/1-8/25

## ■ Largest Gainers

## Retail

**Tilly's:** Second quarter results, including a 7 percent square foot reduction in inventory, exceeded Street expectations. Hires first chief digital officer to oversee ecommerce and digital marketing.

## Brands

**GoPro:** Shares get a boost after Best Buy report better-than-expected second quarter results. Banking on HERO5 camera and Karma drone in important fourth quarter.

## ● Largest Decliners

## Retail

**Walmart:** Expands existing partnership with CommerceHub, a commerce network for retailers and brands, that will now integrate directly with WMT's online third-party marketplace.

## Brands

**Performance Sports:** A disaster. See page 12 for more.

## ◆ Other Notables

Seven of 14 retail stocks saw double-digit increases for the month. Overall, 25 of 28 stocks in the Index showed improvement over the period.

*The Inside Insight Index is our opinion of what we think are the 28 most important public companies in the industry, 14 vendors and 14 retailers. Space considerations prevent us from tracking more, but we will make changes over time.*



Index base of 100 is key to the closing prices of 12/31/14

## Retail: 89

↓10.69%

	change over period
<b>Big 5 Sporting Goods (BGFV)</b> Price on 08/01/16 .....\$10.30 Price on 08/25/16 .....\$12.75	<b>+23.7%</b>
<b>Cabela's (CAB)</b> Price on 08/01/16 .....\$50.67 Price on 08/25/16 .....\$49.80	<b>-1.72%</b>
<b>Dick's Sporting Goods (DKS)</b> Price on 08/01/16 .....\$50.85 Price on 08/25/16 .....\$58.72	<b>+15.4%</b>
<b>Finish Line (FINL)</b> Price on 08/01/16 .....\$21.84 Price on 08/25/16 .....\$23.58	<b>+7.97%</b>
<b>Foot Locker (FL)</b> Price on 08/01/16 .....\$59.82 Price on 08/25/16 .....\$66.91	<b>+11.8%</b>
<b>Genesco (GCO)</b> Price on 08/01/16 .....\$68.71 Price on 08/25/16 .....\$73.00	<b>+6.24%</b>
<b>Hibbett Sports (HIBB)</b> Price on 08/01/16 .....\$34.69 Price on 08/25/16 .....\$38.25	<b>+10.2%</b>
<b>Kohl's (KSS)</b> Price on 08/01/16 .....\$41.14 Price on 08/25/16 .....\$44.68	<b>+8.60%</b>
<b>Macy's (M)</b> Price on 08/01/16 .....\$35.32 Price on 08/25/16 .....\$39.25	<b>+11.1%</b>
<b>Sportsman's Warehouse (SPWH)</b> Price on 08/01/16 .....\$10.06 Price on 08/25/16 .....\$10.60	<b>+5.37%</b>
<b>Shoe Carnival (SCVL)</b> Price on 08/01/16 .....\$26.17 Price on 08/25/16 .....\$29.74	<b>+13.6%</b>
<b>Tilly's (TLYS)</b> Price on 08/01/16 .....\$5.69 Price on 08/25/16 .....\$7.48	<b>+31.6%</b>
<b>Walmart (WMT)</b> Price on 08/01/16 .....\$73.78 Price on 08/25/16 .....\$71.22	<b>-3.47%</b>
<b>Zumiez (ZUMZ)</b> Price on 08/01/16 .....\$17.56 Price on 08/25/16 .....\$16.84	<b>-4.10%</b>

## Brands: 102

↑2.22%

	change over period
<b>adidas (ADDYY)</b> Price on 08/01/16 .....\$83.10 Price on 08/25/16 .....\$85.54	<b>+2.94%</b>
<b>Amer Sports (AGPDY)</b> Price on 08/01/16 .....\$27.33 Price on 08/25/16 .....\$28.71	<b>+5.05%</b>
<b>Callaway (ELY)</b> Price on 08/01/16 .....\$10.69 Price on 08/25/16 .....\$11.45	<b>+7.11%</b>
<b>Columbia Sportwear (COLM)</b> Price on 08/01/16 .....\$56.90 Price on 08/25/16 .....\$57.27	<b>+0.65%</b>
<b>Deckers Brands (DECK)</b> Price on 08/01/16 .....\$65.81 Price on 08/25/16 .....\$66.88	<b>+1.63%</b>
<b>Fitbit (FIT)</b> Price on 08/01/16 .....\$13.69 Price on 08/25/16 .....\$14.79	<b>+8.04%</b>
<b>GoPro (GPRO)</b> Price on 08/01/16 .....\$12.94 Price on 08/25/16 .....\$14.89	<b>+15.1%</b>
<b>lululemon (LULU)</b> Price on 08/01/16 .....\$78.33 Price on 08/25/16 .....\$80.59	<b>+2.89%</b>
<b>Nike (NKE)</b> Price on 08/01/16 .....\$55.41 Price on 08/25/16 .....\$59.24	<b>+6.91%</b>
<b>Performance Sports Group (PSG)</b> Price on 08/01/16 .....\$3.32 Price on 08/25/16 .....\$1.80	<b>-45.8%</b>
<b>Skechers (SKX)</b> Price on 08/01/16 .....\$23.81 Price on 08/25/16 .....\$24.91	<b>+4.62%</b>
<b>Under Armour (UA)</b> Price on 08/01/16 .....\$39.44 Price on 08/25/16 .....\$42.23	<b>+7.07%</b>
<b>VF Corp. (VFC)</b> Price on 08/01/16 .....\$62.37 Price on 08/25/16 .....\$64.22	<b>+2.97%</b>
<b>Wolverine Worldwide (WWW)</b> Price on 08/01/16 .....\$24.39 Price on 08/25/16 .....\$24.71	<b>+1.31%</b>



swimstyle  
bikestyle  
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gymstyle  
trailstyle  
tristyle  
runstyle  
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sneakerstyle  
lifestyle  
**sportstyle**

[sportstyleshow.com](http://sportstyleshow.com)

## **the show**

blending sports and style

**trade show: june 14-15, 2017**  
**consumer day: june 16, 2017**

contact information:

Jeff Nott: [jnott@formula4media.com](mailto:jnott@formula4media.com)

516-305-4711

or your Formula4 Media representative

POP CULTURE

# The Social Scene



CNN @CNN · Aug 15  
No., you're not crazy. Brand logos are more noticeable at the #Rio2016 🇺🇸 #Olympics [cnn.it/2b6r8ul](http://cnn.it/2b6r8ul)



165 405

Team USA gymnasts captured gold at Rio.



Matthew Kish @matthewkish · Aug 19  
How Adidas' AlphaBOUNCE became one of 2016's most important sneakers (Photos): [bizj.us/1nw3nk](http://bizj.us/1nw3nk)



5 18

Adidas lands a winner with new concept.



Ralph Lauren @RalphLauren · Aug 21  
Cheers to #TeamUSA for bringing home the gold, silver and bronze — 121 medals in total! — in #Rio.



Ralph Lauren scored significant brand exposure via Team USA's dominance.

Complex Sneakers @ComplexSneakers · Aug 20  
Nike is already making sneakers for the 2020 Olympics in Tokyo. [trib.al/5UElaeg](http://trib.al/5UElaeg)



52 144

Never too early to prepare for next Summer Games in Tokyo.



NBC Olympics @NBCOlympics · Aug 20

.@gwenjorgensen wins the first ever triathlon #gold 🏆 medal for the #USA!



744 2.2K

Basketball gold is norm for Team USA.



Nike @Nike · Aug 20

Unlimited Together. #justdoit



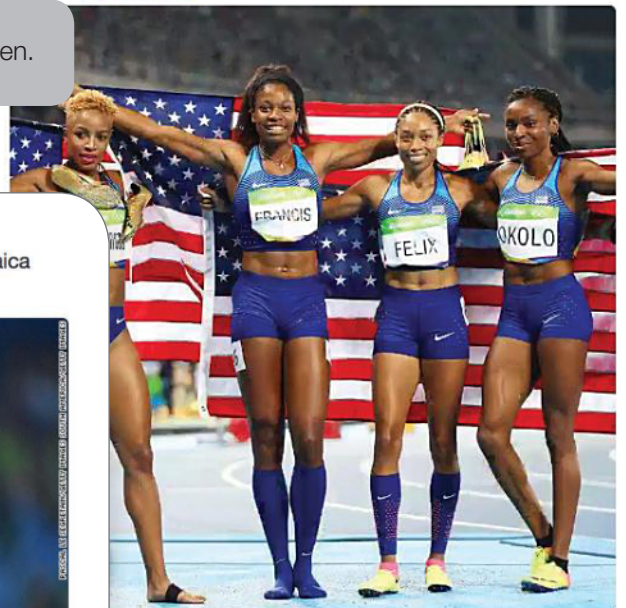
1.1K 3.2K



NBC Olympics @NBCOlympics · Aug 21

Of the 46 #gold 🏆 medals won by #TeamUSA, 27 were won by women. #Rio2016 🇺🇸

Fifty-nine percent of Team USA gold was won by women.



5.3K 9.1K

Team USA women were dominant in Rio.



CNN Breaking News @cnnbrk · Aug 19

OLYMPICS: Usain Bolt completes career "Triple-Triple" as Jamaica wins gold in 4x100M relay. [cnn.it/2br9nSh](http://cnn.it/2br9nSh)



1.6K 3K

Puma's 'Fastest Man in the World' snared three more gold medals.

## MATCH-UP

# New Retail Battle Brewing?

REI and TJX-owned **Sierra Trading Post**, the one-time unlikeliest of foes, appear to be headed for a showdown over outdoor shoppers looking for bargains in soft goods. The Seattle co-operative is targeting this customer with an entirely new digital business promising curated gear with 30-60 percent discounts off MSRPs. Sierra, meanwhile, bolstered by the buying and capital muscle of its parent, is expanding its reach with a larger, brick-and-mortar footprint that may include the U.S. East Coast in 2017.



## REI Garage

**What:** New digital outlet business, in development for 18 months. Launched August 9 to replace the retired REI Outlet concept. Promises “No outdated leftovers, No junk, No BS. Just great gear for great prices.”

**Focus:** Curated, top-tier closeout gear from the co-operative that offers the convenience of a shared shopping card with REI.com and in-store returns. Majority of products, with discounts ranging from 30-60 percent off MSRPs, are from 51 top brands. Among them: Ahnu, Chaco, Sierra Designs, Osprey and Hoka One One.

**Parent:** Seattle-based REI generated \$2.4 billion in FY15 revenues and operates 143 stores in 35 states.

## Sierra Trading Post

**What:** Off-price specialist founded as catalog company in 1986 with hand-drawn products in 1988 that has evolved into an ecommerce force promising average savings of 60 percent off MSRP and top brands also sold by REI Garage—ExOfficio, Marmot, Teva, Columbia, Smartwool and Mountain Hardwear.

**Focus:** Gradually increasing its brick-and-mortar presence that began with a single store in Sparks, NV in 1990. Currently has nine stores across six states, including first East Coast location in Burlington, VT and three in Colorado. There is a 700,000 square foot fulfillment center expansion underway and plans to have 13 stores operating in FY17. Brags that 98 percent of all orders are shipped within one day.

**Parent:** Publicly traded, retail behemoth TJX. Cos. Reported \$30.94 billion in FY15 revenues from its various banners, including Marshalls and TJ Maxx. Acquired Sierra Trading Post in 2012.

**SPORTSTATS**

# Paint by Numbers: Fishing

**11.4%**

**4.5%**

Percentage of residents in Pacific region (WA, OR, CA) who fish, highest in U.S. among nine geographic regions; Percentage of New Englanders who fish, lowest among all regions.

**19.4**

Average number of annual outings per fishing participants in 2015.

**6.2M**

**6.5M**

Number of Americans who began fishing in 2015; Number of Americans who stopped fishing in 2015. Changes contributed to a churn rate of 14.2 percent.

**37.7 MILLION**

Number of freshwater fishing participants in U.S. in 2015, three times more than saltwater fishing participants. (Outdoor Foundation and Recreational Boating/Fishing Foundation)

**3.4 MILLION**

Number of Hispanic fishing participants in 2015, up 3 percent from 2014.

**\$2.31 BILLION**

Wholesale dollar value of manufacturer sales of fishing equipment in 2015 in the U.S., up 6.9 percent year-over-year, according to the SFIA.

**17.52 POUNDS**

Record largemouth Bass caught at Clear Lake, California.

**27.96 MILLION**

Number of paid U.S. fishing license holders in 2014.

**INSIDE QUOTES**

# Senior Executives Speak

“

**...I think the ability to find truly what I would consider to be special apparel product has become a little bit more challenged...So I think we are very focused on some of those excitable prints, more novelty-type products, even though they may be performance fabrications.**

Jared Briskin, SVP and Chief Merchant for Hibbett Sports

“

Firearms are moderating. They are moderating back to what we would consider a normal level. The unknown is how fast is the hunting season going to grow and it's an unknown every year. So we are a little bit conservative as we go into the all-important hunting season...

John Schaefer, president and CEO of Sportsman's Warehouse

“

...We expect the promotional environment to be no worse than it's been in the past and we think a little bit better...What we've learned is that they (Sports Authority) did a bigger fitness business than we had anticipated...and we think we've got an opportunity in fitness to grab a significant market share.

Ed Stack, Chairman and CEO of Dick's Sporting Goods

“

**A key initiative that we've been exploring for well over one year is the challenge of how we can leverage the reach and messaging in our direct business within the retail channel without doing harm to direct in the process.**

William McMahon, COO of Nautilus, Inc.

“

I am really proud of, together with my team, the turnaround in the last 18 months. Because with all fairness in 2014 a lot of people from the media, maybe also from the investors side...said, 'Hainer is too old, he has run out of ideas.' ...In hindsight, I would say we should have reacted earlier to Reebok and repositioned it as we have done it today. This has taken too long...

Herbert Hainer, CEO of adidas Group