

# WINNING AUTHORITY

# SCORE



## THE NEW AUTHORITY

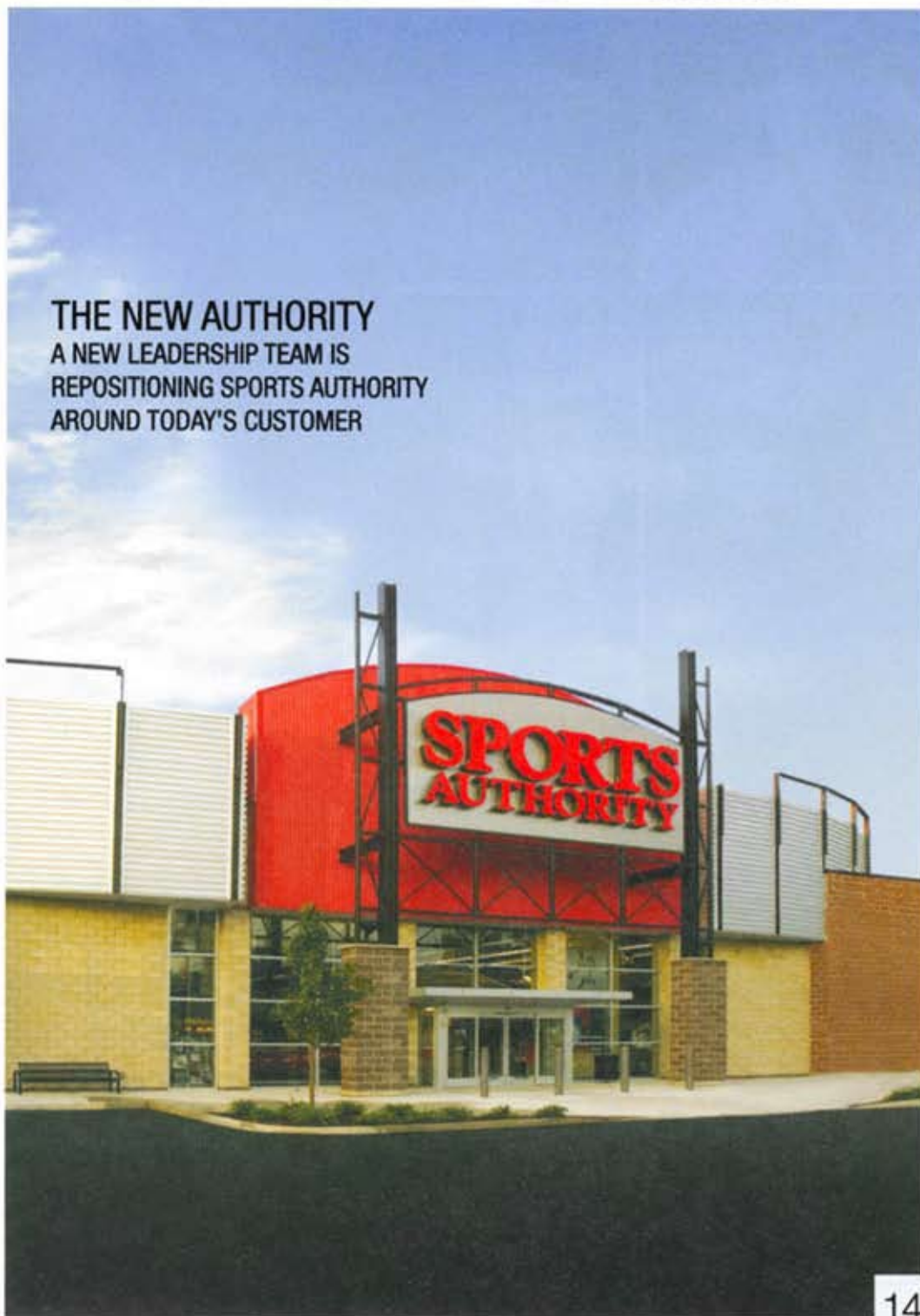
AN INSIDE LOOK AT  
HOW DAVID CAMPISI AND COMPANY ARE  
TAKING TSA TO THE NEXT LEVEL



**40 UNDER 40**  
THE INDUSTRY PICKS THE TOP  
YOUNG TALENT FOR 2010

# Features

MAY/JUNE 2010



**THE NEW AUTHORITY**  
A NEW LEADERSHIP TEAM IS  
REPOSITIONING SPORTS AUTHORITY  
AROUND TODAY'S CUSTOMER

14



20



48



52



56



60

Cover photo: From left to right, Jeff Schumacher, EVP, chief marketing and strategy officer; Greg Waters, COO; David Campisi, CEO and president; Tom Hendrickson, CAO/CFO.

# WRIST WATCH

Could the return of the active consumer mean rejuvenated sales for sport watches and wrist top computers? While it may be too early to tell, all signs are pointing in the right direction.

By Kyle Conrad

Not surprisingly, 2009 was a tremendously challenging year for sport watches and wrist top computers as consumers traded down drastically for price points while cutting out excursions and vacations.

At the 2009 BaselWorld Watch and Jewelry show - an annual trade show held in Basel, Switzerland where watch and jewelry manufacturers showcase their lines for the upcoming year - one representative called the atmosphere "horrific" and estimated foot traffic was down at least 50 percent.

Overall, the economy during the past two years had such a devastating effect on the industry that some companies simply shut down operations in a buying environment that contracted too fast for most to react. When accounts got stuck with thousands of dollars in excess inventory, they slashed selling prices, a move that crushed margins and brought 2009 pre-orders to a screeching halt.

Viewed primarily as a luxury item, the oft-expensive wrist top computers and multi-function sport watches were among the first items cut from the consumer's discretionary budgets. Industry observers warn the slight rebound over the past nine months doesn't necessarily mean the market is back to its pre-2008 state. Most agree the consumer will continue to place an increased emphasis on value. And while many brands still offer high-end

items, a surge of recent launches featuring conservative price points is a clear sign the market remains deeply scarred by the recession.

Companies such as Highgear believe a refocus to more conservative pricing will pay huge dividends amid an exigent market environment. "We've become a more inviting brand to the entry-level consumer," says CEO Mike Hosey. "Now, a consumer can come into a store and buy a product they hadn't considered before because it's within their [price range]."

Highgear, which offers a variety of wrist top combos that include altimeters, barometers, compasses and various timing tools, has benefited from a growing consumer base that is becoming more in tune with this type of technology. "As generations age, the technical savviness of the consumer is widening and creating more opportunities for companies like [us]," Hosey says.

And as the consumer base continues to develop, brands feel pressure to stay innovated - a challenge compounded by scaled down research and development budgets. Add a more cost-conscious consumer and competitive selling environment, and retailers and manufacturers have some work to do.

"The good news is people still want to get out," Hosey says. "They're just not willing to travel the distances they once were. It's not a situation where they're refusing to spend - they're just doing these activities closer to home and on a smaller scale."

Wenger North America is feeling the price point shift, too. "Over the last two years, there has been a favorable response to watches under the \$500 point," says COO Marc Eskridge. "Watches over \$500 have suffered significantly, all the way up to the ultra-expensive watches in the \$20,000-\$30,000 range, which have actually done well."

# HOW TO MARKET YOUR CREDIBILITY AND WIN CONSUMERS

Inside the store is where a retailer can show its expertise to the consumer. Manufacturers and retailers agree that consumer knowledge and product awareness should be the focal point for all efforts.

"The consumer always wants the technology, but they want it simple, they want it understandable and they want that quick, 'out-of-the-box' experience," says Mike Hosey, CEO of Highgear.

While this can be a challenging compromise for brands and retailers, establishing an effective system to educate the end-user is the best way to overcome it. "The associate must have an understanding of who the consumer is and how to channel their need," Hosey says. "It's suggestive selling – it's recognizing what the scenario is at that time. How do these features truly benefit a customer?"

To expedite the process and streamline communications, Highgear uses various types of printed materials such as training cards to brief the associate on the product features. "If you have an understanding of what the benefits are – beyond just the features – it makes it easier to connect the dots and to help the consumer make a smart purchase," Hosey added.

From a marketing standpoint, Highgear's objective is to maximize its in-store brand presence by effectively balancing POP displays and packaging. The manufacturer also boosts brand awareness by collaborating with numerous partners, including the National Ski Patrol, various marathon events, and ski and snowboard instructors.

Brand presence at marathons and other events can be invaluable to the consumer's perception of a new product. That's why Garmin chose to unveil its new Forerunner product at the Boston Marathon, which featured 26,735 runners and thousands more spectators. The race provided an enormously valuable opportunity to market the launch of a new product.

Add-on sales can also be critical to boosting margins. Take Suunto, which offers a discounted selling price for its POD (Peripheral Observation Device) when packaged with its other products. The POD enables a user to track speed, distance and progress across a variety of activities and works in conjunction with several of Suunto's heart rate monitors and wrist top computers.

As always, finding that "happy medium" between sufficient pricing and product innovation remains a challenge to accomplishing effective sell-through numbers, but one thing is certain – the workout warriors' proclivity for supplementing his or her training regimen continues to build. Finding the right price/product balance for this rapidly-developing market will come only by researching and evaluating individual markets, but the most successful brands and accounts will employ effective and innovative sell-through techniques to make the most of an emergent product category.

For some, that's not a huge surprise. It's safe to assume that a consumer who makes an accessory purchase in excess of \$10,000 has probably eluded discretionary income issues impacting other demographics.

Now, as for price points that fall somewhere in the middle, there has been a dramatic drop in demand. Starting last summer, there has been an incontrovertible consumer rebound, forcing the market to face unique inventory challenges, as brands struggle to keep pace with demand.

"The problem is that demand is increasing at a [faster] rate, but people spent all of last year slimming inventories," Eskridge says. "The capacities just aren't there [right now] for expanded orders."

## TRENDING UP...

From a product standpoint, several key trends emerged during the back-end of 2009 and the front half of 2010. At Wenger, the surge in demand for ion plating became apparent during March's BaselWorld Watch and Jewelry Show.

Ion plating, also referred to as physical vapor definition (PVD) coating, gives the product a black finish and is virtually scratchproof. Because of its stealthy black appearance and ceramic finish (which makes it more durable than stainless steel), the product made huge waves at the show. Nearly every sport line featured multiple products treated with ion plating.

GPS capability continues to be one of the vanguards of technological advancement. Suunto and Highgear are introducing or supplementing GPS-enabled lines in the near future, while other companies work diligently to craft similar products to keep up with market demands.

Highgear is putting the finishing touches on a GPS-enabled wrist device scheduled for 2011 market, while Suunto is supplementing its popular X10 line, which features full GPS capabilities and is Google Earth™ compatible. And Garmin recently launched its Forerunner® 110 GPS-enabled sport watch at the Boston Marathon. Garmin, which continues to push the envelope for GPS-enabled equipment in all markets, believes the consumer's propensity for exercise is vital to the progression of the Forerunner® product.

"[Garmin] has a big growth initiative within health and wellness," says Stan Brajer, director of fitness sales and marketing. "Our running product evolved from our handheld device and [now] it's the base of our [fitness] division."

Similar to other higher-end brands, Garmin uses a "pyramid" approach to channel management. That means it launches its newest products at the specialty level, allows them to mature, and then slowly introduces them in big-box accounts as newer products hit the floor. This enables Garmin to ensure long-term growth capabilities while maximizing the product's return. "The specialty channel really gave us the credibility and authenticity that got us where we are today," Brajer says.

Garmin also stresses well-designed sell-through strategies to maximize in-store transactions. Brajer, a former running specialty retailer, says its imperative that sales associates learn about the product and effectively conveying that knowledge to the consumer. The company also supplements sales by pointing customers to its Garmin Connect Web site – a social networking site that enables workout enthusiasts to upload workout data for a comprehensive analysis that allows them to create fitness goals, track historical workout progress and keep tabs on overall fitness.

Suunto's Training Manager offers some of the same capabilities. Suunto consumers can use the Training Manager software to view their performances over a single workout or a specific period of time to monitor heart rate, respiration rate, respiration volume, energy expenditure and more.

Polar Electro features a similar program called polarpersonaltrainer.com – an online community that enables users to record and access development on a daily basis, while tailoring workouts to individual levels and goals. ■



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1. Wenger's celebrated GST line prides itself on featuring precision engineering without appearing "fussy" or complex. The bold styling of the GST line is apparent within the brand new black-on-black GST Chrono 78254, which hits stores this month. The Chrono 78254 features a PVF-coated finish for additional durability and a stealthy appearance. Water resistant to 330 ft. **MSRP \$500.00**

2. Victorinox Swiss Army's summer collection is highlighted by new versions within the Dive Master 500 and Officer's collections. **The Officer's Chrono**, pictured here, is the newest version of the entirely remodeled 2008 Officer's line and features a more "sporty" appearance with a wide-open dial complimented by a streamlined profile. Available in June 2010, the Officer's Chrono now tracks time with 1/10th of a second precision thanks to its new quartz chronograph movement, which is set in a larger 42 mm stainless steel case. **MSRP \$450.00-\$595.00**

3. Timex recently unveiled its **Ironman® Global Trainer™ Bodylink® System**, a GPS-enabled training tool that boast real-time speed, pace and distance data and features SIRFstar™ GPS and ANT+™ wireless technology. In addition to its Performance and Multisport modes for training and events, it syncs with the athlete's computer to download detailed workout and route information to online software powered by TrainingPeaks™. The Global Trainer system is compatible with Timex heart rate and bike speed/cadence sensors and it can display data from third-party bike power meters using ANT+ technology. **MSRP \$250.00 - \$300.00**



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4. Polar's FT60 is an advanced product that helps users stay motivated with the new Polar STAR training system, which adapts to user's personal exercise habits and provides weekly feedback and updated goals. The FT60 syncs with the G1 GPS sensor and S21 Foot Pod for those who want to track speed and distance and with PolarPersonalTrainer (PPT), an online exercise community that provides guidance, tracks progress and allows users to challenge friends. **MSRP \$240.00**

5. Suunto's new T3d features a dual heart rate monitor that utilizes both ANT and Analog functions, allowing it to be paired with gym equipment as well as a wireless wrist top device. Registered heart rate is used to calculate training effect, which monitors heartbeat performance on a scale of 1-5 to display improvements in aerobic conditioning. Works in conjunction with Suunto's cycling, running, and GPS packs. **MSRP \$189.00**