

NEWS ALERT



KEEP YOURSELF UPDATED
ON THE WORLD SPORTING GOODS INDUSTRY!

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China seeks WTO probe of EU Duties on Shoes

The European Commission rejected Beijing's call for a formal investigation by the World Trade Organization of EU charges on Chinese shoes. In December, Brussels extended import duties of up to 16.5% on Chinese shoes, claiming that they unfairly undercut the cost of EU producers. But Beijing lodged a complaint with the WTO in February and on April 12th called for a formal inquiry panel. The case is being closely watched because it is only the second time that Beijing, which joined the WTO in 2001, is seeking to use the world trade body to challenge EU tariffs following a formal complaint last summer about duties on metal fasteners. Analysts see this as evidence of a more aggressive policy

from Beijing. "The Chinese Government has sent a letter through its WTO mission requesting the set-up of a panel concerning the EU anti-dumping action on shoe imports from China," the commerce ministry in Beijing said. "Part of the EU's anti-dumping laws discriminate against China and the EU anti-dumping probes and ruling over China-made leather shoes lack fairness and transparency. "There is no damage done to the EU shoe industry. Extending the anti-dumping measures would not benefit the EU shoe industry. Rather it will only hurt the interests of consumers in the EU." Commission spokeswoman Maja Kocijancic retorted: "The European Commission strongly rejects China's

claim that the EU's anti-dumping measures against certain footwear from China are not in line with the EU's WTO obligations. A spokesman for trade issues at the European Commission added: "Anti-dumping measures are not about protectionism. They are about fighting unfair trade." The Federation of European Sporting Goods Industry (FESI) last month began legal action against the European Commission over its duties on shoes from China and Vietnam. FESI, whose members include brands such as Adidas and Nike, estimated that the duties had cost nearly €1 billion since being introduced in 2006.

Source : SportsOneSource

Trade to expand by 9.5% in 2010 after a dismal 2009

WTO reports that after the sharpest decline in more than 70 years, world trade is set to rebound in 2010 by growing at 9.5%, according to WTO economists. "WTO rules and principles have assisted governments in keeping markets open and they now

provide a platform from which trade can grow as the global economy improves. We see the light at the end of the tunnel and trade promises to be an important part of the recovery. But we must avoid derailing any economic revival through

protectionism," said Director-General Pascal Lamy.

Complete news on http://www.wto.org/english/news_e/pres10_e/pr598_e.htm

Source : WTO

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European chemicals agency announces candidate list for additions to EU's REACH SVHC list

The European Chemicals Agency (ECHA) earlier this year announced a candidate list for possible additions to the Substances of Very High Concern (SVHC) list under the European REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) law. The list is a preliminary step towards ultimately regulating the substances under REACH. Of the fourteen new substances on the candidate list only

eight substances are possibly used in the apparel and footwear industry: trichloroethylene, boric acid, disodium tetraborate, anhydrous, tetraboron disodium heptaoxide, hydrate, sodium chromate, potassium chromate, ammonium dichromate and potassium dichromate. There are currently seven substances on the REACH SVHC list, including three types of phthalates. While REACH does not outright ban the sale of products in Europe contain-

ing chemicals on the REACH SVHC list, the law does require the manufacturers of the product and the retailers who sell the product to correctly respond to requests from "consumers" on whether the product in question contains SVHCs within 45 days of the request.

Source : AAFA



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Trade Helpdesk—New WFSGI Service

The WFSGI aims at serving the global sporting goods industry and is constantly improving the benefits for its members. We are proud to announce that we have launched another new service, the **WFSGI Trade Helpdesk**, with the aim to improve our members' daily business.

The WFSGI has now signed a collaboration with Mr. **Edwin Vermulst**, WFSGI Trade Counsel, to offer a consulting service and assistance to its members in **international trade matters**, in particular in the areas of International trade law; customs law including classification, valuation and rules of origin; trade regulations and policy; Anti-dumping, anti-subsidy and safeguard investigations; trade barriers and counterfeit issues; WTO dispute settlement proceedings; WTO law and practices.

This service includes a **first advice free of charge** and **special discount on further consultations** for the WFSGI members that will enable them to obtain professional advice from an expert with proven industry experience and specific know how.

All details on the procedure are available on www.wfsgi.org/ Trade Helpdesk and in the next Members Only News (WFSGI newsletter reserved to WFSGI Members).

"Mr Vermulst is a leading trade practitioner and his experience will bring enormous value to the WFSGI and the Sporting Goods Industry. Through our work in the WFSGI Trade Committee we are well aware of the challenges and opportunities facing our industry. Having an expert like Mr Vermulst working directly with us is a critical step forward for our industry in working through the challenges and taking full advantage of the opportunities," says Brad Figel, WFSGI Trade Committee Chair.

Edwin Vermulst has practiced international trade and EC law and policy in Washington DC and Brussels since 1985 and is a founding partner of the law firm Vermulst Verhaeghe Graafsmas & Bronckers. He was a WTO Panelist in Mexico-High Fructose Corn Syrup from the US, and has been involved in various WTO dispute settlement proceedings as a member of the delegation. Mr.

Vermulst's practice focuses on contentious customs and trade issues and, among others, he has been advising FESI on trade matters since 2005. He has co-authored eight books, including landmark comparative analyses of the anti-dumping systems of Australia, Canada, the EC and the United States with Professor John Jackson in 1989 and of rules of origin in 1994, and numerous articles. He is the Editor-in-Chief of the Journal of World Trade. Mr. Vermulst is invariably selected as a leading trade practitioner by publications such as Chambers, Who's Who in Trade, Legal 500, Euromoney and the Rushford Report. He was recently ranked in Band 1 in the international trade/WTO area in the EU-wide group and as the Star individual in Belgium by the Chambers Global 2010. Mr. Vermulst is a Member of the Faculty of the World Trade Institute in Bern and of the IELPO program in Barcelona and a member of the Board of ECIPE, the European Centre for International Political Economy.

Source : WFSGI

China's GDP grew 11.9% in First Quarter

China's gross domestic product rose 11.9% in the first quarter, the country's National Bureau of Statistics reported. The value of production by textile companies rose 21.6%. Total retail sales of consumer goods within China rose 17.9%, buoyed by a 9.2% increase in per capita cash income for rural households and a

7.5% increase in income for urban households. Sales of Sports and recreation articles rose 13.3%, while sales of garment rose 23.9%. By contrast, auto sales rose 39.8%. The consumer price index rose 2.2%, which included 5.1% for foodstuffs, -0.9% for clothing and -0.1% for recreational, educational, cultural

activities and services. Producer prices for raw materials, meanwhile, grew even faster. Prices for nonferrous metal materials and wires rose 30.2%, while fuel and power prices rose 23.5%.

Source : SportsOneSource

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Update - overview of trade restrictive measures in footwear

The WFSGI is concerned by the rise of trade restrictive measures in the footwear sector in the whole world. The WFSGI believes that it would help people to overcome difficulties in their daily life if governments could further lower or remove any tariff barriers. Manufacturers and consumers could benefit from an efficient global market. Tariff elimi-

nation in the sporting goods and specifically the footwear sector would create greater economic value, lower production costs, and supply consumers with wider and affordable choice of products. The WFSGI expects the negotiation, global and bi-lateral, to achieve an ambitious outcome, including deep and comprehensive reductions in the

protectionism tariffs of sporting goods.

To inform our industry, a table of the various measures applicable to countries is available on our website and regularly updated with the latest information. Click here to directly access the latest version.

Source : WFSGI

US Government releases report outlining foreign barriers to US apparel & footwear brands

The Office of the US Trade Representative (USTR) on March 31 released its 2010 *National Trade Estimates Report on Foreign Trade Barriers*. Among other things, the report highlighted some of the barriers faced by US apparel and footwear brands in critical markets around the world, including Japan, Mexico, India, Ar-

gentina, and elsewhere. The report, however, failed to highlight many of the other barriers AAFA cited in its November 2009 submission for the report. On the same day, USTR released its first-ever report on technical barriers to US products around the world. The report highlights the AAFA-supported US labeling propo-

sal for apparel and footwear being discussed in the ongoing Doha Round of global trade negotiations under the World Trade Organization (WTO). The report also highlights concerns with new technical regulations affecting apparel and footwear in Ecuador.

Source : AAFA

International Product Safety & Restricted Substances Conference

We would like to inform you about the **International Product Safety & Restricted Substances Conference** held by **AAFA** (American Apparel and Footwear Association) in China: **Dongguan, May 6, 2010** and **Hangzhou, May 11, 2010**. Apparel and footwear brands alike are challenged with ensuring that dynamic, government regulations and other restricted substances standards are enforced, documented, and certified. AAFA builds on last year's success with its return to China bringing retailers and industry experts together to discuss product safety regulations, new testing requirements, utilization of

AAFA's Restricted Substances List, retailer guidelines and consequences of non-compliance.

Collaborating with the Apparel & Footwear International RSL Management Working Group (AFIRM) and the American Chinese Apparel & Footwear Association (ACAFA), AAFA will host conferences on May 6 in Dongguan, and May 11 in Hangzhou. The conferences will be conducted in simultaneous Chinese (Mandarin) and English translation and all PowerPoint presentations will also be presented in both Chinese (Mandarin) and English.

Conference topics on the agenda include:

U.S. and Chinese government product safety standards and regulations

RSL the tool: what you need to know, how to use it, and implementation guidance

Testing Perspective: a panel discussion with international testing labs

Case studies examining brand quality control SOP, inspections and audits.

Program (click to access)

Source : AAFA

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New reports in the WFSGI E-Shop

Latest addition in the E-Shop :

- Global Apparel Markets n°8 on Product developments and innovations and key to success in emerging markets (see e-shop for detailed table of contents)
- Performance Apparel Markets n°31 on Sustainability in performance apparel (see e-shop for detailed table of contents)
- Technical Textile Markets n°79 on Global and Regional Trends in Textile Fibre Consumption (see e-shop for detailed table of contents)

Don't miss them!
Visit www.wfsgi.org/e-shop!

Discounted prices
for WFSGI Members

PUMA's new packaging and distribution system to save paper and water

After more than ten years of successful implementation of its social and environmental standards (puma.safe) and the introduction of its company initiative PUMAVision last year, Sportlifestyle company PUMA launched the next pivotal phase of its ambitious long-term sustainability program at the Design Museum in London. By introducing its cutting-edge sustainable packaging and distribution system by renowned industrial designer Yves Béhar, PUMA will set new standards within the Sportlifestyle retail industry. The new innovative solution will significantly reduce the amount of waste and CO2 emissions that traditional product packaging such as shoe-boxes and apparel polyethylene bags generate and underpins PUMA's target of reducing carbon, energy, water, and waste by 25%, and developing 50% of its interna-

tional product collections in footwear, apparel and accessories according to best practice sustainability standards by 2015. PUMA has been collecting E-KPIs (Environmental Key Performance Indicators) from all its offices and stores worldwide for the last five years and identified several key areas that need to be dealt with in order to further reduce PUMA's "paw print". To address these issues, PUMA is launching its next phase of puma.safe initiatives in the company's long-term sustainability program laying out ambitious targets to be achieved by 2015. The major objectives PUMA has set out to achieve in this period include:

- 25% reduction of CO2, energy, water and waste in PUMA offices, stores, warehouses and direct supplier factories.
- Paperless office policy through a 75% reduction and offsetting initia-

tives for the remaining paper usage such as tree planting initiatives.

- 25% CO2 reduction through more efficient product transport solutions by our logistic partners.
- Begin collaborating with our strategic suppliers and logistic service providers to offset their own footprints in the long-term.
- Introduction of the PUMA Sustainability-Index (S-Index) standard that serves as a benchmark for sustainable products and communicates the products' sustainable features to consumers.
- 50% of PUMA's international collections will be manufactured according to the PUMA SIndex standard by 2015, using sustainable materials such as organic cotton, Cotton Made in Africa or recycled polyester as well as applying best practice production processes.

Source : Puma

New US container fees on the horizon?

US House Transportation Committee Chairman James Oberstar (D-MD) announced in a March 23 speech to the American Association of Port Authorities (AAPA) that he wants to consider legislation im-

posing container fees on imports and exports to help finance much-needed infrastructure projects along major trade corridors. Chairman Oberstar stated that he wants to use legislation (HR 947) introduced

last year by Congressman Ken Calvert (R-CA) as the basis for that conversation.

Source : AAFA

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French Bike Market under Pressure

As a result of the economic crisis, the French market encountered a slight decrease in consumer spending on bicycles as well as components and accessories in 2009. The latest figures of the French industry organisation Tous à Velo indicate a drop in unit sale of 6% last year to 3,132,300 units compared to 2008. The total value of the bikes sold decreased by 4.5% to € 819 million. The average value of bikes sold in France stands at € 261. In the past years the structure of the French

market has been changing slowly but steadily towards more mobility bicycles instead of sports only. Last year, the segment mobility, which includes City bikes and e-Bikes increased from 22% in 2008 to 25% of all sales. A total of 23,700 e-Bikes were bought by consumers last year, compared to 15,300 in 2008, 9,700 in 2007, 6,000 in 2006 and 3,900 in 2005. The leisure bike market, which includes ATBs, hybrids and junior bikes continued to decline from 68% in 2008 to 65% in

2009. Finally the competition range sports bike market, like road racers, ATBs and BMX bikes remained stable with a 10% share of the total sales.

In 2009 the turnover on after market P&A sales declined by 6% to € 506 million. A comprehensive French Market Report will be published in Bike Europe's June/July edition; publication date June 25.

Source : *bike-eu.com*

CPSC Update on WFSGI website

The World Federation of Sporting Goods Industry, in cooperation with Morrison Mahoney LLP, is starting a regularly updated column on activities involving the Consumer Product Safety Commission in the United States. As many of you know, the CPSC became much more of an issue for international companies with the passage of the United States Consumer Product Safety Improvement Act (CPSIA) in August 2008. This act brought sweeping changes to requirements for products in the sporting goods industry,

as well as many other venues. Originally spawned by issues with respect to lead paint and other materials poisoning American children, the closer scrutiny of all products and the greater powers given the CPSC have now grown considerably. The Obama administration is funding the agency as it has never been funded before, and it is infusing it with many employees who bring a new zeal to their work. Congress continues to grind out new and interesting additional powers for the agency, and the agency itself

issues rulings which must be viewed and dealt with in a timely fashion.

The role of the CPSC Update is to keep you informed of important developments so that you can be prepared with respect to products you are selling in the United States.

Link to the update on Consumer Product Safety Page

Source : *WFSGI*

China losing Luster as export platform for rest of Asia

Multinational manufacturers are increasingly focused on accessing the growing China market while the number of companies viewing China purely as an export base continues to decline, according to the third annual China Manufacturing Competitiveness survey, jointly conducted by the American Chamber of Commerce in Shanghai (AmCham Shanghai) and management consulting firm Booz & Company. "China can no longer be viewed solely as a hub for low-cost exports. The growing domestic market in China offers rich opportunities to foreign invested manufacturers." The sur-

vey of 202 foreign manufacturers in China shows that while respondents still consider China a hub for exports to the Asia-Pacific region and beyond, nearly 83% of the companies surveyed said that their primary motive for locating manufacturing operations in China was to access the Chinese marketplace, up from 71% two years ago. Meanwhile, the percentage of respondents planning to use China primarily as a base to supply other Asian markets has slipped from 54.6% in 2008 to 50.5% in 2009. Multinational corporations (MNCs) are responding to rising costs, as well as labor availability

challenges, by relocating or expanding their manufacturing operations from well-developed areas in the south and east of China. The survey found that 28% of respondents are considering moves to lower-cost areas in southwest or central China, up from 17% in 2008. In addition, 8% of respondents reported plans to relocate or expand outside of China, and of those, more than half are evaluating emerging Asian countries like India (most preferred), Vietnam, Indonesia, and Thailand.

Source : *SportsOneSource*

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Bike Industry petitions feds to again delay deadline for third-

The Bicycle Product Suppliers Association has petitioned the U.S. Consumer Product Safety Commission for more time to meet a third-party testing requirement established by a 2008 law citing a continued lack of certified third-party testing labs. The CPSC already delayed enforcement of the provision once last December, but that stay is set to expire May 17. On April 1, BPSA petitioned CPSC for an additional one-year extension because of the continued lack of certified labs. The deadline was set by the Consumer Product Safety Improvement Act of 2008, which set new testing standards for lead and other potentially harmful materials in children's pro-

ducts in the wake of a public health scare prompted by news reports that toys, toothpaste, dry wall and other Chinese imports contained excessive levels of hazardous chemicals. "In April 2010, the situation is still inadequate," reads a letter accompanying the BPSA's petition. "The CPSC website now lists four certified laboratories capable of performing some third-party testing for Part 1512 compliance, and only one laboratory is certified to test for compliance to the entire standard. Each of the other three is only partially accredited (meaning that one or more provision of Part 1512 is excluded from the accreditation. The only laboratory that appears to

have unconditional accreditation received its approval approximately two weeks ago. Clearly the availability of only a single third-party laboratory to handle all of the requirements for the entire children's bicycle sector is inadequate."

Part 1512 refers to the section of the federal code that regulates bicycles. The BPSA is urging the CPSC to postpone the third-party testing requirement until it can complete an already scheduled modernization of Part 1512 regulations to reflect current bicycle design. The regulation has not been substantially revised since 1976.

Source : SportsOneSource

In Holland, one out of eight bikes is electric

Policymakers often use the Dutch market as an example on how rapidly e-Bike sales can develop. In the Netherlands electric bikes have gained a strong foothold. Between 2006 and 2009 the market quadrupled from 40,000 units to 153,000 last year. This means one out of every eight bicycles sold in the Netherlands is now an e-Bike which is on average three times more expensive than a regular bicycle. These figures are based on a market survey held by GfK Marketing Services Benelux and published by the Dutch

industry organization RAI Vereniging. In 2009 the total number of bikes sold dropped below the regular 1.3 million mark as a result of the economic situation. However, the money wise sales increased by 2.6% in 2009 to € 930 million as a result of the high average prices for e-Bikes. Thanks to the growing popularity 2009 electric bike sales accounted for one third of the turnover of the whole bike sector in the Netherlands, or 25% more related to 2008. That's what you might call booming business! The popularity of

the e-Bike comes at the expense of the category City bikes which saw a sales decline of 6% last year. Despite that this segment remains the largest in the Netherlands with a market share of 49% or 628,000 units last year. The Hybrid or Trekking segment turned out stable with 16% or 205,000 units. The number of sold kids bikes declined by 6% to 172,000 units.

Source : bike-eu.com

WFSGI QUIZ

Participate and win prizes!

1. See page 81 of the WFSGI Handbook (also available on WFSGI website here)
2. Answer question 2 (deadline 31 June 2010)
3. Send it back to quiz@wfsgi.org

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Invitation to WFSGI Manufacturers Forum in Taiwan



In 1978, Taiwan played a role in the establishment of the WFSGI. Until now, TSMA (Taiwan Sporting Goods Manufacturers Association) has been a decades-long full national member.

Mr. George Wood, TSMA Chairman, also acting as the Vice Chairman of WFSGI Manufacturers Forum, has the honour to hold the WFSGI Manufacturers Forum and is pleased to invite you to attend.

Welcome to the Forum and please register in advance.

Date
29 April 2010

Venue
TWTC Nangang Exhibition Hall
Conference Room 401
Taiwan

Language
English (Simultaneous interpretation is provided)

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More info and free registration here

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WFSGI JOB MARKET

*This section is displaying job positions offered by WFSGI members.
You can find these offers also on www.wfsgi.org / Job Market*

Project Manager Apparel - adidas Group - GER

Read the full ad here ([click to link](#))

Director of Stores - Nike Factory Stores - Nike - NED

Read the full ad here ([click to link](#))

Business Planner - Nike Retail - Russia Focus - Nike - NED

Read the full ad here ([click to link](#))

Manager/ Global Trade & Visual - Rockport - USA

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Head of Sport Marketing— adidas Group - RUS

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UK Customer Services Executive – Mitre - GBR

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Senior Graphic Design Manager; Women's and Youth Apparel—Under Armour—USA

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SPECIAL**WFSGI HANDBOOK 10 EXTRACT****Retail must focus on higher sales per sqm**

By Marius Rovers, President, Sport 2000 International

In the negotiation between suppliers and retailers too often is discussed about margins, rebates, mark-ups and, however this is very important for the retailer, there are more elements to be taken care of and suppliers can play an important role in this to the advantage of both parties.

The last years, retailers are more and more discussing other elements such as stock turns and items sold before the sales period, but still the most important thing, what is probably a result of all elements mentioned before, is not mentioned. If sporting goods retailers want to be successful, the best way is to increase the sales per square meter in the shops.

In the box below is shown the effect on an increase on the realized margin. This is spectacular.

S per sqm	sqm	sales	gross margin	gross profit
€ 2.500	1000	€ 2.500.000	42%	€ 1.050.000
€ 3.000	1000	€ 3.000.000	42%	€ 1.260.000
€ 5.000	1000	€ 5.000.000	42%	€ 2.100.000

On average in the EU sales per sqm is € 3000.

Why is this not more discussed?

In my opinion because there is too much focus on two things. Sport as a hobby and not serious retail business and buying is more important, and easier, than selling.

There are a few, and I know at least one very successful retailer, exceptions in the industry who understand the above mentioned theory. This retailer is not very popular among fellow retailers and suppliers, because they stock too much private label and are always looking for the sharpest retail price.

Why is it necessary?

Sporting good retailers are not making enough money and are not enough represented at A1 locations, simple because they do not sell enough. Margins are actually high if we compare this with other major retailers like Wall Mart, but it is the sales per sqm !!

Now this is easy said and if it was simple, everybody would do it already. To realize it the total industry (retailers and suppliers) must rethink the way of doing the business.

What must be changed:

1. Offer product at attractive prices (our prices are often too high due to minimum margin calculations).
2. Accept lower margins (or mark ups) by retailers.
3. Increase the share of Never Out of Stock Products.
4. Introduce Retail Space Management (= agreement about economics between a supplier and a retailer concerning earnings in a certain space in the store).
5. Ban lost sales (sports retail has a very high lost sales. Lost Sales is when a customer goes to a store with the intention to buy, but the product is not available).
6. Order periods, lead times and possibilities for reorders must be more adapted to the markets needs.
7. Retailers and suppliers must make agreements on Open To Buy (50% pre order, 50% OTB).
8. Retailers and suppliers must change the working methods (learn from the DIY industry).

Now I hear my fellow retailers crunch their brains and minds using their calculators to show that the ideas are good, but that it hardly can be financed.

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In the column below we show you how things work out.

S per sqm	sqm	sales	gross margin	gross profit
€ 2.500	1000	€ 2.500.000	42%	€ 1.050.000
€ 3.000	1000	€ 3.000.000	38%	€ 1.140.000
€ 5.000	1000	€ 5.000.000	30%	€ 1.500.000

Even with a very low realized margin we are able to increase the realized margin with 50% and then we might be able to increase sales per square meter.

If we are able to do so, the whole industry will benefit from it.

What makes it difficult for a retailer to follow this theory?

Price policy of brands is the most influencing issue in this matter. The Major brands are dictating the price points in the opinion to help retailers and resellers of their products. To a certain extend this is the case and from a positioning point of view it might be right, but the customer is simply not buying enough products or items.

Is this only a price matter? No it is not, but because if a soccer shoe of € 139 will trade for € 99, everywhere it is not certain that customers at the end will buy more products. From a store and customer point of view however it will happen more often that an impulse buy is taken place and that is key to success.

Are attractive and lower prices the only thing? Certainly not! Attractive stores with always new merchandise and instore activity are as important. During the World Championship Athletics I was in Berlin where the big three have there own retail stores full of attractive merchandise and instore activity at super A1 locations. These stores where full of customers who where buying, showing me there is not one truth and one theory.

For most of the retail sector and their partners other ways of working must be discussed and implemented to the benefit of all players in the industry.

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