

THE B.O.S.S. REPORT

THE BICYCLE, OUTDOOR, AND SNOW-SPORTS TRADE NEWSLETTER

WEEK 0650

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The Week's Top Stories

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Outdoor Apparel Sales Remain Strong in November...



While many Western resorts were able to open their doors early last month, there have been no reports materializing of record snowfalls to drive early sales. As a result, SnowSports hardgoods' sales have had a relatively slow start to the season but below normal temperatures are clearly driving apparel sales. As Thanksgiving shoppers flocked to stores across the country, several Outdoor and Snow Sports apparel companies benefited from fashion trends that are putting outdoor-inspired fleece on the backs of high-school and college students around the country.

Based on data compiled by SportScan/*INFO*, which compiles point-of-sale data from major retailers across the country on a weekly basis, this cold snap is driving sales of outerwear up considerably. Outdoor and Snow Sports apparel sales are up in high-single-digits for the month of November, with particular strength in outerwear. Overall outerwear sales from the retailers covered by SportScan/*INFO* are up in the mid-20's for the month of November, including "Black Friday." All of this increase came from outdoor inspired outerwear. The outdoor outerwear category saw sales increase in the upper 60% range during the month of November. The business gains have since abated a bit as temperatures moderated later in the month and into the early December retail period.

Outdoor brands are all showing positive momentum for the month, but TNF continues to gain market share in outerwear. However, Mountain Hardwear, Patagonia, Arc'Teryx, and Columbia also remain strong in the category. Sierra Designs and Helly Hansen had the largest increases in market share in the outdoor category for the month.

Snow Sports outerwear saw sales decline in the double-digits for the month, however, this category remains more evenly distributed between brands. Columbia controls the largest part of the market share, but Spyder Active Sports, TNF, Pacific Trail, Arc'Teryx, and Burton are making considerable strides in both sales and market share in the category. In addition, Cold as Ice, Fera, and Helly Hanson are three relatively smaller brands in the category that are making a big move in Snow Sports apparel this year, judging by their increases in market share for the month.

Continued >>>

Market Report

Index	12/8	12/1	+/-
BOSS	1,673.63	1,645.36	1.7%
Vendors	1,637.96	1,612.14	1.6%
App/FW	1,695.58	1,659.16	2.2%
Hardlines	1,611.68	1,589.73	1.4%
Retail	1,908.40	1,879.17	1.6%
SEW	1,496.78	1,475.32	1.5%
S&P 500	1,409.84	1,396.71	0.9%
Dow Ind.	12,307.4	12,194.1	0.9%

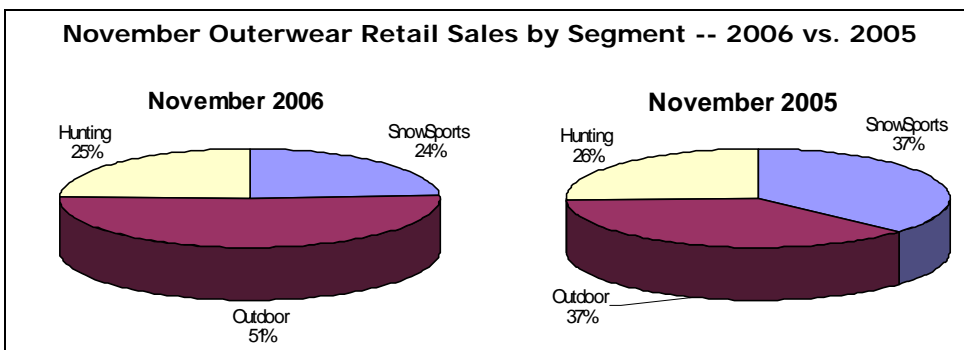
Market Movers

Company	12/8	12/1	+/-
Oakley	20.38	18.21	11.9%
Rocky Sh	15.29	14.21	7.6%
Head NV	3.99	3.75	6.4%
Vail Rsrts	46.78	43.98	6.4%
Forzani	18.15	17.35	4.6%
Gandr Mtn	8.55	8.18	4.5%
Volcom	31.91	32.30	-1.2%
Shimano	22.50	23.07	-2.5%

...While Hardgoods See a Slower Start...

The best sellers in outerwear continue to be dominated by TNF and Columbia, with TNF's women's Khumbu fleece jacket topping the list, followed by the brand's Bionic soft shell and Denali fleece. Columbia's Bliss Ridge and Bishop Pass also sold well in November along with Mountain Hardwear's Windstopper Tech jacket. The combination of the heavy storms in November last year, combined with the popularity of select outdoor-influenced jackets this year, has clearly impacted the distribution of sales by segment (see graphs below).

Overall snowshoe, ski, and snowboard hardgoods sales were down in the mid-singles for November due to declines in Alpine hardgoods and Snowshoeing. Snowboard sales were up in the low-singles for the month. Salomon continues to have the dominant market share in alpine hardgoods, and actually made some considerable gains during the month of November. At the same time, K2, Atomic, and Tecnica all increased their share in the category. In snowboards, Burton, K2, and Lamar control the majority of the market.



Outdoor University Shifts Focus to Retail Management Skills...

Since OIA acquired Outdoor University in January, the organization has been working with retailers, manufacturers, and sales reps to see how best to shape this program to meet the needs of the industry. Previously the program was designed exclusively to help retail floor staff learn about gear and retail floor sales strategies. Now the program will be re-focused to fill a vital gap in the talent pipeline between floor staff and management. The 2007 Outdoor University programming will focus on management and higher level specialty retail staff, where training resources will improve business infrastructure.

"Outdoor University was developed to improve the growth and prosperity of specialty outdoor retailers. Whereas the original Outdoor University provided this through floor staff training, it did not address the outstanding long term training needs of specialty retailers, including access to financial, management, and best practices training," OIA President Frank Hugelmeyer said in a prepared statement. "This new training model addresses these needs with stronger and more accessible retail management training."

The new Outdoor University structure offers some clear advantages; the program will be more cost effective, concentrated, and tactical for both the administrators and the attendees. The new Outdoor University training model will provide training workshops in conjunction with regional buying shows, national tradeshow, and national OIA conferences. This structure will allow Outdoor University to access the diverse regional distribution of specialty retailers during convenient times alongside established shows. Outdoor University training camps geared at retailer floor staff will no longer be offered in 2007.

Going forward, Outdoor University will take place on August 19 at the EORA Mid Atlantic Show, August 25 at the EORA Southeast Show, October 3 at the OIA Rendezvous Conference, and on a to be determined date at the ORA Mid-west Rep Show.

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Forzani Group Thanks Weather for Strong Q3...

The Forzani Group benefited from its recent Fitness Source acquisition, an extended back-to-school season, and accelerated sales trends in October to report strong third quarter sales and earnings. Without the additional revenue from Fitness Source, the retail group still reported a sales increase of 8.8% for the quarter. On a comp-store basis, the West was stronger than the East, but all regions were positive in the quarter and all categories were positive in terms of hardgoods, apparel, and footwear, with footwear as the number one category.

On the corporate side, all four of Forzani's banners – SportMart, Sport-Chek, Coast Mountain, and National Sports - had positive comps in the quarter. All four also had higher margins, lower marketing spend, and better expenses. One piece hockey sticks and Crocs were both called out as strong sellers for the quarter as well as North Face, Burton, and Columbia Titanium.

The Franchise side of the business had positive comp sales and the specialty retail banners, including Nevada Bob's Golf, Hockey Experts, Pegasus, and the Fitness Source banner continue to perform "as planned." Forzani's franchisees were said to be experiencing "record margin performance with soft comp sales."

FGL wholesale business performed "exceedingly well" for the quarter, with strong results from both the opportunity business and licensed branded business. Management said that the top-line increase at Gen-X was "material" and the bottom-line increase was "even more material" driven by both sales and margin expansion. However, management does see the opportunity business becoming more difficult.

"The supply base has gotten very intelligent and very scientific in terms of how it manages its inventories," said Bob Sartor, Forzani's CEO. "Gone are the days where the businesses were driven by purely, purely the marketing side. It was just a question of just keep the factories running and we will figure out how to sell it later. So you really don't see that many closeouts and it is not just this year, it is actually in the past I am going to say three years or more."

The group was able to boost its margins through a combination of better product mix, more private label sales, and higher price-points on private label merchandise. Better inventory management also contributed to the company's material increase in profits. Inventory at the end of the quarter for corporate stores on a comp basis was up 1.8% due to advanced receipts on certain Christmas merchandise. The company expects comp inventories to be down by the end of December.

So far, Q4 has had a relatively slow comparable store sales start due to very warm weather in Eastern Canada for much of November. On the corporate side, where half of the company's business is in the West and half in the East, the company was able to cancel that out. In the franchise business, management said it has been "pretty tough to sell outerwear and skis when it is plus 15C and people are golfing." In spite of the slow start, margin expansion continues into the fourth quarter and the company still has very clean inventories.

Management expects franchise store openings to be very active next year as the several new specialty banners are rolled out, such as Nevada Bob's. On the corporate side, the growth will be more moderate with four Sport Cheks as a minimum, and a couple of expansions. On a per capita basis, Forzani's square-foot concentration in Ontario is materially lower than it is in Alberta, B.C. and in Quebec. So, management feels that the most populous market in Canada is still able to show some up-side and plans to invest in it.

Forzani Group Ltd. Third Quarter Results			
(U.S. \$ millions)	2006	2005	Change*
Total Sales	\$309.0	\$257.2	+13.4%
Retail	\$203.8	\$177.1	+8.6%
Wholesale	\$105.2	\$80.1	+24.0%
Gross Profit	34.5%	33.1%	+140 bps
Net Income	\$10.6	\$5.5	+81.9%
Diluted EPS	31¢	17¢	+75.0%
Inventory**	\$323.6	\$295.0	+4.3%
Corp. Comps	+6.6%	+3.2%	

* Change in Canadian Dollars
**at quarter-end

Aspen, prAna, and Vail Honored for Green Power Initiatives

This week, the U.S. Environmental Protection Agency, the U.S. Department of Energy, and the Center for Resource Solutions honored a group of organizations with the annual Green Power Leadership Awards, recognizing leading national green power purchasers and suppliers. Included in the awards were a few Outdoor and SnowSports companies – prAna, Aspen Skiing Company, and Vail Resorts.

The Aspen Skiing company was given the highest honor possible for a green power purchaser, the "Partner of the Year Award." Both prAna and Vail Resorts were given "Green Power Purchase Awards." Both Aspen and Vail were recognized for their efforts for run ski services off of renewable green energy sources.

Beaver Theodosakis, founder of prAna said, "Our goal is to raise awareness among consumers, partners and industry peers regarding the benefits of renewable energy. We hope to inspire the next generation of outdoor enthusiasts and influencers to take stock in the environment through both work and play." In 2006, prAna's Natural Power initiative offset 17,589 electrical megawatt hours, preventing the emission of 23,252,658 pounds of greenhouse gases – the equivalent of removing 2,283 cars off the road or planting 8,789 acres of trees, or converting 1,614 average U.S. homes to green energy for one year.

According to a new report released this week by the U.S. Department of Energy's National Renewable Energy Laboratory, at the end of 2005, more than 2,000 megawatts of new renewables capacity was being used to supply green power markets. This represents a 10-fold increase from the year 2000.

AISLE TALK

Coleman promoted **Pat Barnett** to SVP of global product management; **Bob Fowler** to SVP of global supply chain; and **Sam Solomon** to SVP, global administration and CFO...

Spy Optic's rep **Nik Hennessee** will be transitioning from his present territory of Los Angeles to the Orange County region. **Todd Griffiths** will be taking over L.A. from Hennessee...

DeFeet hired **Lynn Moretz** to be president and CEO...

Burton Snowboards promoted **Clark Gundlach** to EVP and general manager of Burton Snowboards; **Greg Dacyshyn** to SVP and creative director of product; **Bryan Johnston** to SVP of global marketing; **John Lacy** to VP of outerwear, bags, gloves, and accessories; **Scott Barbieri** to VP of hardgoods; and **Bob Burbank** to VP of engineering and quality...

Northwave tapped **Christopher Horan Sales** to represent in the Ontario region, with **Paul Keodprom** being the main representative for the territory...

Thule hired **Schuyler Horton** as director of national account sales and service; promoted **Larry Hewett** to director of specialty account sales; appointed **Andre Clement** as director of Canadian sales and service; and named **Martin Cardinal** as Canadian sales manager and **Annie Scopel** as customer service manager...

Pacific Cycle promoted **Steve Reeds** to EVP, GM of Global IBD and **Forrest Yelverton** to VP of engineering and quality...

Wolverine World Wide was awarded a maximum \$5.15 million firm fixed price contract for men's dress "poromeric" shoes. The shoes are to be used by the Army and Marine Corps...

Crocs completed its acquisition of **Jibbitz, LLC**...

Lañcôt Licensing Inc., a private company based out of Montreal, Quebec, has made an offer to acquire **Igloo Vikski Inc.** by way of a takeover bid through the TSX Venture Exchange for all of the issued and outstanding common shares of Igloo at a price of \$1.10 per share for a total purchase price of \$3.97 million to be paid in cash...

REI plans to open a store at the Santa Fe Railyard Project in Santa Fe, New Mexico, in 2007...

The Walking Company will open new stores in Ardmore and Langhorne, PA on Friday, December 15...

CenterStone Technologies, Inc., announced that **Garmont NA** of Williston, Vt., is "live" on the iVendix online B2B sales order management software application...

Eesa named **Dan Sorcinelli** as Northwest rep...

Bikes Belong Coalition elected **Pat Cunnane**, president of Fuji Bicycles, to the organization's board of directors...

Interbike's director of advocacy, **Mike Greehan**, has left Interbike to focus his efforts on his company, Cue Ball Media. **Lance Camisasca**, Interbike's show director, will assume Interbike's day-to-day advocacy efforts...

Atlas Snow-Shoe Company has donated snowshoes and training to create a snowshoeing program for **Bay Area Wilderness Training**...

Conservation Alliance grantees secured permanent protection for 76,000 acres of federal land in New Hampshire and Vermont... This victory is the fifth significant accomplishment for Alliance grantees in 2006...

SPORTS SOURCE

The Sporting Goods Industry Information Source

The SportsOneSource Group Family

MARKET RESEARCH

SportScanINFO

SGB Brand Study

SOS Annual Industry Report

SOS Annual Retail Landscape Report

The Team Sports Report

The Footwear Report

The Skate Report

EXECUTIVE WEEKLY NEWSLETTERS

Sports Executive Weekly

The B.O.S.S. Report

The POS Report

E-MAIL UPDATE NEWSLETTERS

SGB UPDATE

Job Market UPDATE

Outdoor Business UPDATE

Footwear Business UPDATE (new)

PRINT PUBLICATIONS

Sporting Goods Dealer

Sporting Goods Business

Performance Sports Retailer

Footwear Business

Outdoor Business

Hunting Business

CAREER SERVICES

www.SportsJobSource.com

SOS Rep Search Directory

EVENTS

THE ELITE Running Specialty Conference

SOS Sports Investor Conference

Outdoor Outlook Conference

The CEO Forum

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