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While many firms in the US are feeling the strain of the credit crunch, some footwear brands appear to be bucking the trend.

CREDIT: TEVA

US shoe brands walk all over credit crunch

Tales of woe relating to the global credit crunch can be found in newspapers and on news bulletins more or less every day. Retail sales have fallen in many parts of the world and a number of companies have been forced to sell up or simply shut down as a result. Despite this, the footwear sector appears to be putting up a fight and several brands have actually posted revenue and earnings increases during this difficult period. Some major US shoe brands appear to be doing a particularly good job of weathering the storm.

Sales continue to rise

Deckers Outdoor Corporation is among the shoe firms to have posted better-than-expected results towards the end of 2008, a period in which many other companies were recording major sales declines and losses. Deckers was established by Doug Otto, a student at the University of California, Santa Barbara, in 1973. It is now an international company with three footwear brands: Teva, Simple Shoes and UGG Australia. Having started out as a sandal brand, the company now produces a broad range of footwear including boots, sneakers, clogs and men's and women's casuals.

The company's third quarter results showed a 52.5% rise in sales, with sales reaching to a record $197.3 million compared with $129.4 million for the same period in 2007. Domestic sales increased 40.9% to $162.3 million compared with $115.2 million during the same period and international sales rose an incredible 146.7% to $35 million from $14.2 million in the 2007 period.

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Top performers

One of the most significant contributors to the company's success during the period was strong demand for its UGG Australia brand. UGG sales rose 57.1% to $178.7 million in the third quarter compared with $113.7 million in the third quarter of 2007, while international sales for the brand surged by an incredible 147%.

"In general, the brands having the business are brands the consumer has the most love for," explains Ed Goins, VP of sales, UGG Australia. He adds that consumers in the States, and elsewhere, who would normally buy 10 pairs of shoes a year, are currently likely to be buying fewer pairs because of the current economic situation and its impact on disposable income. As a result, he believes that: "People are now focusing on what they really want and have to have."

Mr Goins explains one of the factors that sets the UGG brand apart from other US footwear brands. "At UGG we have a very clean distribution line, it's not saturated in too many retail outlets in the US," he says. While in a large shopping mall, some brands will appear in up to 10 stores, the brand's products are only likely to appear in two to five places. "The consumer has to seek out the brand," says Mr Goins. "It's not over distributed."

On the back of its strong third-quarter results, Deckers actually raised its guidance for the fourth quarter and for the full fiscal 2008 year. Its fourth quarter 2008 revenue growth target was raised to approximately 52% over 2007, up from 45% in previous guidance, and its full-year revenue target rose to approximately 52% over 2007, up from previous guidance of approximately 43%.

"We [UGG Australia] had a very successful holiday season and very successful 2008," Mr Goins comments. "We're very optimistic we're going to have a good 2009." However, he realises it is important to be realistic. "We are not going to over promise," he says. "We are planning an increase though." Continuing cold weather in the US should boost UGG sales in the first quarter, while a new sandal line will be rolled out in the second quarter. According to Mr Goins, new knit boots will be a major highlight for 2009.



Classic Tall UGG boot in Metallic Gold. UGG Australia sales rose 57.1% to $178.7 million in the third quarter of 2008.
CREDIT: UGG

Best foot forward

Meanwhile, Kansas-based Collective Brands appears to have been following suit. The operating company for Payless ShoeSource, Stride Rite, and Collective Licensing International, Collective Brands claims to be the largest non-athletic footwear company in the Western Hemisphere and the largest footwear company in the Western Hemisphere based on retail stores.

Collective Brands also posted positive financial results for its third quarter. Net earnings were $47.5 million compared with $25.5 million, and sales rose 3.9% to $862.7 million. Commenting when the figures were released, chairman, chief executive officer and president of Collective Brands, Matthew Rubel, said: "Our operating results demonstrated the strength and resiliency of our hybrid business model in a difficult operating environment. By staying true to our strategy, we delighted customers with new styles and record-setting customer service scores at Payless that resulted in increased retail market share."

Mr Rubel has his own theories about why the company has managed to stay afloat during such tough times. "We had strong performances in Payless Latin America, Stride Rite International, Saucony, and Sperry Top-Sider," he said. "In addition, we effectively managed inventory, controlled costs and generated increased cash flow."

Taking the initiative

Like Deckers, Collective Brands has made the most of business opportunities that have come its way. In August 2008, it signed a license agreement with sporting goods wholesaler Intersport North America Ltd. (INA), a subsidiary of The Forzani Group Ltd. The deal allows INA to market and sell Airwalk branded footwear in the US and Vision Street Wear branded footwear throughout the Americas. The Airwalk brand

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mixes board sport culture and fashion, while the Vision Street Wear brand is influenced by skating culture and music.

The following month it signed an agreement with Kuwait-based retail group M.H. Alshaya Co as part of its plans for international expansion into the Middle East region. The two companies will open new stores under the Payless ShoeSource banner across the region including Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar, Oman, Egypt, Jordan and Lebanon. According to Mr Rubel, there is "a strong fit with the shoppers of this region and the Payless brand promise".

Going green

Both Deckers and Collective have also been looking at ways of becoming more 'green'. PlanetWalkers by Simple, a Deckers brand, features leather from certified ISO 14001 tanneries committed to continued improvement in all aspects of their business that affect the planet. "PlanetWalkers are for those who want to tread lightly on the planet without compromising comfort and style," says Ms Martinez. The outsoles are moulded with a blend of 60% latex rubber and 40% recycled car tyre composite, while cork and recycled compression moulded EVA make up the midsole. Removable Ortholite PU footbeds and ground recycled car tyre insoles provide moulded arch support.

Collective's Payless ShoeSource brand has also launched a new eco-friendly shoe line with the help of fashion and beauty expert Summer Oakes. "The sustainability movement is pervasive today and is touching so many elements of consumers' daily lives and they are interested in more and more green product options being available to them," says Mr Rubel. "But green items are often expensive and inaccessible to so many. With our mission to democratise the latest ideas in footwear and accessories, we are in the best position and proud to bring forward a green footwear line that is affordable and accessible to all."

The collection, initially launching just for women, includes products made from sustainable and eco-friendly materials such as linen, natural hemp and recycled outsoles, as well as using eco-smart packaging.

Battling on

According to Mr Goins, however, the government also has a part to play in protecting and helping shoe brands. Anything it can do to lower the cost of getting goods into the country will help, he says. Another major problem is counterfeiting, which he says "hurts the brand, the consumer and the retailer". He adds that this not only affects the US government, it is a matter that needs to be addressed by governments across the globe.

While turbulence in the global economy appears to be far from over, it seems that many companies are making the best of a bad situation. Perhaps the shoe sector is fortunate in that shoes can act as both a necessary commodity and a luxurious indulgence. Or perhaps footwear firms are cleverly changing their product offerings and marketing strategies to fit the economic climate. Whatever their secrets, it is clear that some of the leading brands are intent bucking the general retail trend.

