

Finding Opportunity in the World of Vendor Direct Sales



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This past November, *Sporting Goods Business* ran several articles regarding the quarterly financial reports of some of the largest lifestyle clothing brands in the snow sports space. The reports from these vendors indicated that direct to consumer sales were up double digits but wholesale sales to retailers were down. They were down significantly enough for these vendors to issue negative guidance.

The National Retail Federation and its analytic source, Prosper Insights and Analytics, reported Thanksgiving weekend showed 99.1 million consumers shopping with brick and mortar retailers and 108.5 million consumers shopping online. As further evidence of just how huge the ecommerce market has become, consider what the largest retailers in ecommerce spend on advertising. A recent Google Adwords Intelligence Report indicated the following:

- REI spends \$838,000 per MONTH on some 19,000 Google adwords.
- Amazon, our newest competitor in the snowsport world spends 83 MILLION dollars a MONTH on 103,000 Google keywords.

None of this is surprising. These are the biggest players in ecommerce, and this is how advertising happens in the ecommerce world. What is surprising though are these same reports for some of the **vendors** in snow sports:

- Spyder.com spends \$16,000/mo on 78 adwords
- Patagonia.com spends \$191,000/mo on 670 adwords
- TheNorthFace.com spends \$607,000/mo on 4,564 adwords

Again, the ad spend of these vendors gives a good indication of just how large their Direct to Consumer (D to C) businesses have become. And clearly, these vendors are not alone. In the last few years many vendors in the snow sports space have pursued the D to C channel. For these vendors, it's just business.

For retailers, though, it's personal. There is unequivocal evidence that the D to C strategy has thrived at the expense of the retailers that built the snow sports brands. And in the eyes of most retailers, the brands that have chosen to move into the D to C channel have done so at the expense of the retail community.

But, with change comes opportunity.

In nature, every ecosystem finds balance. And the same thing is true in the snow sports ecosystem. As brands have become direct competitors, retailers have lost sales. Several changes could take place:

Brands could develop unique merchandise and styles specifically for retailers in the specialty channel.

All styles evolve and change, and the lifestyle look that has defined snow sports has been around for a long, long time. Most certainly there is an enterprising clothing vendor(s) that is working to create a style and look that will redefine snow sports. Retailers need to be ready to spot it.

Retailers ***will seek out brands that support specialty***. Not all snow sports clothing brands have moved into the D to C channel. There are prominent brands that are still dedicated to the specialty channel. As the clothing business has gotten tougher, this may be the year that buyers choose to support the brands that support them.

There were dozens of new brands with unique new looks at the last SIA show. After the beating clothing buyers have taken from some of their vendors, this might be the year that buyers spend time walking the Snow Show aisles looking for new vendors

The investment community is an important stakeholder for vendors in the D to C channel. They **will not** tolerate negative guidance. Brands **will** be forced to develop strategies that will reverse the decline in their wholesale sell-in.

In reality, growth in the D to C channel provides opportunities for both vendors and retailers. Vendors – if they expect to regain the support of their specialty retailers – must take **immediate** action to improve their performance. Ultimately that means a shift in focus from sell-in to sell-through.

For retailers, it is, quite simply, rewarding vendors that support specialty retail and not rewarding vendors that don't. Complaining about D to C but continuing to buy like you've always bought isn't an option.

Be willing to find new opportunities!