

# PSR

NEWS & INFORMATION FOR THE RUNNING & TRIATHLON MARKET



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# PSR

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Charlie Denson  
President, NIKE Brand

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Spenco PolySorb Replacement Insoles combine lightweight contoured polyurethane bonded to a layer of SpenCore material to provide shock absorption and energy return for overall foot comfort

## SPENCO'S FOOTWEAR MIX

**Spenco PolySorb** Replacement Insoles combine lightweight contoured polyurethane bonded to a layer of SpenCore material to provide shock absorption and energy return for overall foot comfort

**Spenco RX Doctor** Recommended products feature exclusive SpenCore Material that help absorb shock, reduce friction and improve overall foot comfort

**Spenco GEL** products feature exclusive multi-density Thermoplastic Rubber (TPR) Gel for targeted support and cushioning for all day comfort

**Spenco for Her** Insoles offer the Q Factor Technology to help guide a woman's natural stride into a centralized and balanced path

**Spenco Kid's** Insoles provide support and cushioning designed for growing feet

## SPENCO GOES ECO-FRIENDLY WITH INNOVATIVE NEW PACKAGING

Clean. Powerful. Eco-friendly. That sums up Spenco Medical Corporation's bold new look for its performance insoles packaging and supporting merchandising materials. The redesign is the result of Spenco's year long study to determine what and how its customers shopped for footcare products.

Ryan Cruthirds, vice president of sales and marketing, says the research continues to show that proper footcare has a substantial impact on a person's activity level and overall health. As a result, the new packaging design and merchandising program is designed to help Spenco customers quickly find the solution to their foot discomfort.

Spenco's new look features an updated fifth panel design, which improves package durability while adding a touch of style. The semi-transparent window is designed to show the insole product and invite consumers to read the back panel and open the package. The box's new color changes builds on Spenco's heritage of using colors to visually identify each item. The updated packaging will be complemented by a point of purchase (POP) freestanding rack system designed to display a multitude of Spenco products.

To complement the new look, Spenco has created a more eco-friendly package by shifting away from PVC-based materials to a more easily recycled polypropylene. The new packaging also includes product information written in English, French and Spanish, further reducing the amount of packaging needed to market internationally.

The new packaging and merchandising rollout will be supported nationally with updated Spenco sales materials, customer communications and Web site.

# RUNNING WITH A PURPOSE

Newton Running founder  
Jerry Lee lending support  
to prostate cancer research



The limited edition PCF Newton  
Running Performance Racers



Jerry Lee

Jerry Lee knows what prostate cancer can do to the human spirit. That's why the co-founder of Newton Running is making it personal. His company has set out to raise \$100,000 dollars for the Prostate Cancer Foundation (PCF) through Athletes for a Cure (AFAC). To date, several fundraising efforts have been planned around the 2010 Subaru Ironman Canada, scheduled for August 29.

Lee, who has committed to compete in the race, is proud to lend his company's support to a disease that will affect one in six men in America. "I'm dedicating my race to the many men and their families who have suffered because of this disease," he says.

Newton Running is offering 25 spots on its official race team to individuals who raise a \$3,000 donation or more for the Prostate Cancer Foundation. Team Newton Running members will receive: entry into the sold-out Subaru Ironman Canada; VIP entry

to Ironman Canada events; access to the designated Team Newton Running race transition area; pre-race BBQ; a pair of Newton Running Performance Trainers and a pair of Performance Racers; Team Newton Running cycling kit and race kit; and a pair of limited edition PCF Performance Racers.

Donations also are being solicited on the Team Newton Web site. To encourage donations through its retail channel, Newton has created a competition among its retailers to see who can raise the most money. The winning stores will receive special recognition at Newton Running's 2010 Retail Summit in Boulder, Colo. this summer.

The limited edition PCF Newton Running Performance Racers shoes feature blue and green colors inspired by the Prostate Cancer Foundation. Contestants can purchase the shoes at the Subaru Ironman Canada race. Limited-release shoes also will be available in August. A portion of each sale will be donated to the PCF.

## NUMBERS GAME

The percentage of performance running market share that Asics owned for the first quarter of 2010

10

28

The percentage of dollar growth for performance running footwear for the first quarter of 2010

55

The percentage of running apparel market share that Nike owned for the first quarter of 2010



## THEY SAID IT



“One of the best drivers of marketplace conversations is event marketing. Look at what retailers like Harley-Davidson do. They had more than 100,000 riders take place in a national ride during their anniversary celebration. What are you doing to create excitement?”

– Keynote speaker Rick Barrera, author and motivational speaker, on the importance of not over promising or over delivering during the keynote presentation of the NSGA Management Conference in Tampa, Fla.

“When we have a sales meeting, we lead off the meeting talking about we will sell online. When we look at the products we carry, we look at how they will be presented in the store and online. A large majority of customers buy something online. Being able to build a presence online takes us from a regional retailer to a national one in the snap of a finger.”

– Craig Levra, chairman & CEO, Sport Chalet on the impact online retailing during the NSGA Management Conference in Tampa, Fla.

**“[When you look at online retailing] the future of retail will get a lot easier for our customers. It will be an interesting future and way of doing business for our stores.”**

– Pat Quinn, director of Play It Again Sports, on how his stores view the future of online retailing at the NSGA Management Conference in Tampa, Fla.

## Did you know?

The Running footwear market experienced high-single digit dollar growth for the first quarter of 2010

Running apparel dollar sales among sports retailers were up high-single digits for the first quarter of 2010

# SUMMER SHIELD

What are your consumers looking for in skincare protection?  
Here are three new products to help get them ready to hit the road.

By Aaron Mabry



## UV SKINZ

UV Skinz specializes in men's, women's and children's UV-protective apparel. While its main focus is on shirts, it also offers a line of women's shorts and bras, and children's bottoms. To keep its consumers informed, its Web site explains how each product guards against the harmful effects of the sun. And to help keep retailers educated, the UV Skinz Web site offers a spectrum of advice on skincare and skincare protection.

**UV Skinz' fabric is not only lightweight and breathable, but also incorporates a 50+ UPF (Ultraviolet Protection Factor), which is simultaneously chlorine resistant. Elastane threading throughout the design allows more stretch and flat-lock stitching, which adds comfort from skin irritation. Kid's Maggie SS Shirt: MSRP \$28.95**



## ALOE UP

In contrast to sun-protective apparel, the staple for skin protection has always been lotions and sprays. For the past 27 years, Aloe Up has adhered to that mantra by creating a line of high-end lotions, sprays and tanning oils, each consistent with its competitors on price points. The lines are created with today's savvy and cost-conscious consumer in mind.

**Aloe Up's Continuous Spray Sunscreen line features Aloe Vera Gel or Aloe Vera Oil, which creates a moisturizing sunscreen that immediately absorbs into your upper epidermis, leaving no residue and sweat resistance. Sprays range from SPF 15; SPF 30+; and a specially formulated Kid's SPF 45. MSRP \$11.99 each**



## SKIN CARE FOR ATHLETES

This cosmetics brand offers a complete line of multi-dimensional skin care products created specifically for athletes by a company of athletes and fitness enthusiasts. The Skin Care for Athletes line features specially formulated body washes, lotions and sprays that provide specific attention to anti-inflammatory properties while relieving muscle pains and spasms.

**Skin Care for Athletes not only rejuvenates overworked muscles, but also protects and tones with ingredients ranging from Shea Nut Oil, Organic Sunflower Oil and Organic Aloe Vera Gel. The Muscle Rescue Blend system includes Eucalyptus, Orange, Rosemary and Peppermint. MSRP \$40 (3-pack Muscle Rescue Blend)**



Nike  
PLOTS  
RUNNING  
GROWTH

'OWNING THE UNIFORM OF RUNNING'  
GOAL MOVING FORWARD

By Tom Ryan

Trevor Edwards, Nike's VP, global brand & category management



With a boost from innovations such as Flywire, Lunar Cushioning and Nike+, Nike's \$2.1 billion running business has regained momentum. At an investor presentation held in early May in New York City, Trevor Edwards, Nike's VP, global brand & category management, said Nike's latest successes are being helped by its focus on young runners – 18-24 year olds.

"Actually, this is the fastest growing segment," Edwards says. "They tend to see things differently. They run with music, they expect information, and they love running as a community sport."

Nike detailed its running strategy during the investor presentation, its first in three years. At the meeting in New York City, Nike heralded an ambitious five-year goal to expand sales by 40 percent, to \$27 billion, by 2015. In its last fiscal year ended May 31, 2009, sales reached \$19.2 billion.

Edwards says the younger consumer has been particularly driven to the Nike+ technology. Nikeplus.com has close to 3 million registered members in what Nike terms "the world's largest running club." In the last year, membership has grown 50 percent. But Edwards says innovation continues to define running success for the brand. He stated Nike's goal in the category: "Owning the Uniform of Running." The aim is to be the runner's brand of choice by "owning the styles that runners care about," whether shoes, shorts, T-shirts or jackets.

"When we spoke to young runners, it was clear one thing," Edwards says. "They like things simple. They like things intuitive. Yet, have any of you tried to buy a running shoe? It's anything but simple, and anything but intuitive, particularly when you have to know your gait, or that you pronate or supinate. Really, that's a lot of things to have to know."

With the focus on challenging the "status quo," the design team came up with the Lunar Glide to provide that simple, intuitive solution. In its first eight months, the shoe has generated \$57 million in revenues. Jan Singer, Nike's VP of global footwear, who also spoke at the meeting, says Lunar Glide's success is partly based on Nike's Dynamic Support adaptive solution, which enables the runner to gain ultra-cushioning as well as stability in one product. It's also a core technology around Lunar Eclipse and Lunar Elite. For Nike,

that technology is "energizing the incredibly important running specialty channel.

"For the first time, you can go in to purchase running shoes that aren't completely silo'd," she adds. "A runner can go in and get more than one end benefit."

But Edwards also believes the Lunar Glide pushes the envelope on style. "The Lunar Glide revolutionized the look of running shoes. It's young, cool and distinctive. Since its launch less than a year ago, the consumer response has been great all around the world."

## NEW MARKETS EMERGING

Another opportunity on Nike's radar screen is barefoot running. "In terms of the overall market, what we do see is this ability to make more simplistic-type product but also intuitive, like what we see with the Lunar Glide which is a totally different type of application," Edwards says. "We see the market moving to a very near aesthetic. But in terms of performance, we do believe and we're seeing certainly a lot of growth around parts like Nike Free. So we're very comfortable about the part that we have on stage right now.

On the apparel side, a hit for Nike has been the women's Tempo Short, which has grown by 40% CAGR to 2.8 million units over the last three years. "What did we do with it?" Edwards says. "We made it better, just improved it. Blew it out in color and pattern to give her more choice, and then created sustained destinations at retail to make it easy to find and easy to buy."

But despite its successes, Edwards still feels that Nike has many untapped opportunities in running, especially on the female side. "We feel our strategy is really working and our business is up. However, while we have made great strides, we still see greater opportunity. Women that participate in the sport of running are actually growing faster than men and yet our market share with women still is lower. Going forward we will accelerate our focus by creating better solutions for her, and drive a more aggressive strategy through retail. We really believe we are well positioned to attack and lead this segment." ■



# NIKE OPENS FIRST RUNNING-DEDICATED STORE

By Tom Ryan

Running, running and more running. That's the theme of Nike's first store solely focused on – you guessed it, running. Called Nike Running Stanford, the store, which opened in Palo Alto's Stanford Shopping Center in May, is part of the footwear giant's plans to open approximately 250-300 new Nike-branded stores worldwide over the next five years.

The opening of the Palo Alto, Calif., store is part of a strategy to open "Category Experience" stores, ranging from 3,000 to 6,000 square feet, across up to eight sports categories. For example, a soccer shop in this format will open this spring in Manchester, England. The strategy was unveiled at a recent investor meeting in New York City. The company also plans to grow through "Brand Experience" stores, ranging from 12,000 to 20,000 square feet and representative of their NikeTown flagships.

In a statement on the Inside Nike Running.com Web site, Nike said the Palo Alto store is designed to connect with

the local running community. The statement read, "More than a store, it is a runners' hub, featuring the Runners' Studio, where runners will find even more specialized products, services and individual help to meet their goals. This is where to go to get set up with the individual workout tracking of Nike+, the most fun and effective way to keep track of your progress digitally. This is also where to go to customize your ride with NIKEiD, or take a new pair of shoes for a free trial test run. And if you want friends to run with, this is where to join our running club for a group run every Saturday at noon."

Nike officials also touted successes in running at its NikeTown New York. Since opening its running floor in September 2007, the mid-Manhattan store serves over 2 million customers a year, provides Nike+ lessons and hosts more than 300 runners a week in treks through nearby Central Park.

But despite its own successes at retail, Nike insisted that its wholesale business

model is expected to continue to be the primary driver of long-term growth, with retail partners still expected to account for more than 80 percent of overall business by 2015. Moreover, it highlighted an increased focus on working with retail partners to create more elevated and differentiated consumer experiences including execution of category-segmented concepts within key markets. This has included the opening of basketball-themed concept – House of Hoops – with Foot Locker. But Nike officials also touted the early success of a new initiative, Nike Running Lab, in a Finish Line store that features apparel customization.

"We are creating a new consumer experience here," says Gary DeStefano, Nike's president, global operations. "Our ability to customize apparel in this space has surprised us. We've only been open a week. The first week in one store, we sold 100 customized T-shirts just out of one location."





# AN ALL-OUT SPRINT

The Sports Authority aims to be the 'running authority'

By Tom Ryan

**“We now have our own strategy and we know where we need to go. At the same time we’re not going to allow any competitor to come in and smack us around anymore. And that’s a fundamental change in thinking.” – David Campisi, president & CEO**

The Sports Authority wants to become the “Running Authority.” It also wants to become the “Backyard Authority,” “Baseball Authority,” “Fitness Authority,” etc. The strategy is part of a renewed effort to become a leader in key sporting goods categories. The new positioning is also an attempt to better capitalize on the “Sports Authority” name – a “re-invention” program recently launched by the sporting goods chain.

The first phase of the “re-invention” program began 18 months ago when it committed sizeable capital to upgrading its supply chain capabilities, including the hiring of a Best Buy executive to lead the project. More recently, it rolled out a “Service Authority” initiative at the store level that includes incentive-based training tools, staff upgrades and the symbolic changing of associates’ shirts from black to red.

The final piece was engaging McKinsey & Co. to help build capabilities for growth and driving traffic. That move eventually led to the staff hiring of five McKinsey consultants, including Jeff Schumacher, executive vice president, chief marketing and strategy officer, to run strategy and overhaul its marketing approach.

To some extent, The Sports Authority’s goal is to live up to its brand name and the creative play on the word “authority,” which will prominently be seen in marketing and in-store signage. The retail also will use it as a motivational tool in corporate ideology. “We’re the ‘Authority’ and we’re really attacking that as a positioning statement,” says David Campisi, who provided insight into the retailer’s strategy in an exclusive interview with PSR at the retailer’s Englewood, CO headquarters. Campisi recently added CEO to his responsibilities following the retirement of former CEO Doug Morton, who still serves on the TSA board.

Campisi says the retailer’s strategy is pretty clear-cut. “Whether it’s the ‘Fitness Authority,’ or the ‘Baseball Authority’ or the ‘Wii Fit Authority,’ that’s where we’re going and we’re going to take it to the next level.”

But the reinvention reflects management’s recognition that it had to further differentiate itself in the marketplace and be much more assertive in protecting its position.

“We’re not a “me too,” Campisi says. “We now have our own strategy and we know where we need to go. At the same time we’re not going to allow any competitor to come in and smack us around anymore. And that’s a fundamental change in thinking. Our team is

very much focused on that and very aligned on if somebody’s going to do something we’re going to hit back.”

## A Strategy Across All Departments

One of the main focuses of the new strategy is to upgrade staffing across all departments. The program started in February 2009 in its shoe departments with the hiring of so-called “shoe dogs” – or specialists who know how to sell multiple pairs, up-sell customers and handle multiple customers at one time. While TSA believes their customers have shown they prefer The Sports Authority’s footwear presentation, management wants to provide the same level of service as stores with shoe walls. Beyond investing in hiring, the program includes an online training tool and hands-on training.

Associates – regularly incentivized by programs with different vendors – are not only elevated for selling footwear, but also add-ons such as socks and insoles. Once an associate reaches a certain skill level and productivity, they’ll receive a “Running Authority” name tag that designates them as an expert and offers opportunities for greater compensation.

“So if you earn that service ‘Authority,’ your commission is going to be a lot higher than the other associate who did not earn it,” offers COO Greg Waters. “So there’s a reason these people really want to learn and move up. And then obviously once you’re an authority you can go into management from there so there’s a real succession plan that’s put in place on the store side.”

By the end of May, fitness and golf departments also will include “Authority” specialists. The retailer will add the specialists to the ski department this fall and team next spring. It also will test an apparel district.

Benchmarking tools measuring customer service and conversation rates also will be utilized more so than in the past.

## The value of TSA

Depending on the market, The Sports Authority may include a heavier value message. Depending on the market, that may include a heavier value message. With each merger (TSA is a roll-up of the former Sports Authority, Gart Sports, Sportmart and Oshman’s) and the Leonard Green-led buyout, Management

believes its lean structure already enables it to compete with any competitor around value.

“If a competitor comes in and does an action we’re going to respond to that action,” Schumacher says. “So if someone comes in and runs a \$25-off-for-two-weeks promotion, we will give our customer a more valuable offer – period.”

Says Campisi, “Our customers tell us they believe that our stores are less intimidating and we offer value -- and that’s not discounting. We are the value leader. So we can’t allow somebody else to come and try to push that.”

The early results have been promising. A strong fourth quarter has been followed by what Schumacher describes as “hockey stick-like” results in the first quarter as many reinvention strategies develop.

But Campisi says a more critical measurement is the enthusiasm among the ranks. Expectations are rising and continue to grow thanks to the buzz around programs such as Wii Fit, TV commercials featuring NFL legend Michael Strahan and other viral marketing approaches.

Says Campisi, “It’s created a tremendous amount of excitement within the building and the morale is not only strong here but all our 15,000 associates at the stores are excited about where we’re going. There’s a little bit of a swagger here and it feels pretty good.”

## A glimpse at TSA’s Reinvention Program

- **Launch remodeling effort that will touch all 460 stores over the next five years**
- **Capitalize on its position as the only national sporting goods chain; regional buying and in-store presentation will receive greater focus**
- **Emphasize merchandising more exclusives, SMUs and novel product (for example, New Balance men’s and boys’ apparel was recently introduced as an exclusive in the channel)**
- **Add and integrate TV, radio, grassroots initiatives, in-store, e-commerce, and mobile and social media efforts into its media mix**
- **Use sophisticated analytics to better market to customers in each market**

# I AM SGB

## CURT MUNSON Owner, Playmakers, Okemos, MI



**WHEN DID YOU GET INTO RUNNING?** I always enjoyed running, but I did it most often to keep in shape for my favorite sport: football. I played my freshman year at Augustana College in Sioux Falls, SD. I had a good season and a great coach. After he left for another head coaching job at a larger school, I decided to focus on school. But one weekend during my sophomore year, I was recruited by a somewhat desperate college coach to run in a two mile, intramural cross-country meet. I was looking good on the first mile, and then my enthusiasm met reality and some significant pain that comes from bad judgment. That was the start of three years of cross country and my passion for running.

**MOST MEMORABLE SPORTS MOMENT?** My first marathon in 1977, and Boston in 1982, where I dueled with the sun.

**HOW DID YOU GET STARTED WITH PLAYMAKERS?** I graduated with a business degree and spent three years working different jobs, trying to figure out what to do. In 1977, I hit the jackpot. I married Judy, my partner for life. I also found what I wanted to do. In 1977, we moved from my hometown of Rochester, MN, to South Bend, IN, where I managed a Playmakers Athletic Footwear store. In 1979, we moved to Ann Arbor, MI, where I managed a Playmakers store and oversaw two more. It was an incredible learning opportunity. But Playmakers grew to 10 stores and over-extended. By 1980, all the stores were set to close. I lost a job I loved in an industry I loved.

**WHAT DID YOU DO?** I knew this was what I wanted to do, and I worked very hard to see if there was any way I could take over one of the stores. Most landlords were not interested. But one of the smallest volume stores in Okemos, MI, was a possibility. My college friend, Mike, who was farming at the time in Minnesota, agreed to be our partner. So, we added 10,000 bushels of corn and half a tractor to our home equity and meager savings. In case we failed, I knew the banks didn't like obsolete merchandise, but fresh corn and a tractor every other week is not all

that bad, right? Not surprisingly, the first four banks did not understand. Finally, the fifth bank, which had some savvy leaders, recognized the value of our collateral and said, "We'll loan you half of what you asked for and need. But we can't guarantee the low rate of 18 percent forever."

**WHEN DID YOU MOVE TO YOUR CURRENT LOCATION?** Nine years ago. We moved from the 1,500 square foot location in Okemos, to a 6,400 square-foot mall location, and then into a former Barnes & Noble store with 18,000 square feet. It has been a fantastic move. We do more business in fewer hours, pay less rent, and have a great place to work. Passion and perseverance are critical components.

**WHAT DO YOU LIKE ABOUT YOUR JOB?** Having a great staff and loyal customers in a wonderful community. We're also in an amazing industry. The people make this job incredible.

**FAVORITE BUSINESS BOOK?** Stephen Covey's "7 Habits of Highly Effective People" is my top choice. The principles are timeless and extremely helpful for business or everyday life. We have used this book for 20 years for staff training, staff retreats and staff evaluations.

**FAVORITE COMEDY MOVIE?** "What About Bob?" or "Tommy Boy." Both offer some business lessons if you dig deep enough.

**WHAT DRIVES YOUR PASSION FOR RUNNING TODAY?** My main passion, and the most significant thing I have learned in 33 years in the business, is how important and overlooked good form and technique is to running and walking easier, faster and without injuries. Thanks to Chris McDougall and Born to Run, we have been forced to think outside our comfort zone and question what we're doing and why. Learning and sharing the importance of good running and walking form has been a major focus and passion of mine for the past three years – and will continue into the future.

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