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SPORT 2000 INTERNATIONAL CHANGES ITS EQUITY STRUCTURE

Europe's second-largest cooperative retail organization in the sector, **Sport 2000 International,** has decided to reapportion the shareholdings of its national components depending on criteria such as potential market size, national market share and the proportion of private label products sourced through the international body.

At their annual meeting in Helsinki a few days ago, representatives of 23 of the 27 countries in which the group is active also elected a new board chaired by **Michael Demetz**, the 33-year-old managing director of Italy's **Selezione Sport,** who replaces **Gerhard Schwab** of **Zentrasport/ Sport 2000 Austria** after a 3-year term of office. **Wolfgang Schnellbügel** of **Sport 2000 Deutschland** will act as vice chairman, succeeding **Björn Engberg** of Sweden's **Team Sportia** who has agreed to serve a little longer on the board until his planned retirement next year.

Until now, each of the 12 shareholders in Sport 2000 International had an 8.3 percent stake in the organization. Now, after a fourfold increase in its equity, Sport 2000 Deutschland will have a stake of about 15 percent, followed by **Sport 2000 France** and by **Sport 2000 Austria**, each with just under 14 percent. Selezione Sport of Italy will be next with about 9 percent, followed by **Sports Soccer** in the UK and **Detall Sport** in Spain.

The new structure is intended to induce the national organizations and their affiliated retail members to buy more through the international grouping. These purchases are still relatively small – they grew last year by only 10.3 percent, roughly in tune with the affiliated retailers' sales on a comparable basis *(see table on page 3)* – but they should grow significantly now, thanks also to the development of 4 new "exclusive brands" last year and the establishment of 4 "excellence centers" among the national organizations, three of which draw on members of their top management to build up the international product ranges.

After various changes, including the break-up with **Garant** and the confirmation of a license to **United Brands** for the Belgian market, the 3,206 sporting goods stores carrying the Sport 2000 banner or sourcing products through its international and national organizations achieved last year a total turnover of €3,568.4 million, equal to about 10.2 percent of the total European market, on a combined retail surface of 1,155,900 square meters. Their sales grew by 3.6 percent in absolute terms *(see chart on page 3)* and employed a total of 23,823 persons.

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KNEISSL & FRIENDS IS IN RECEIVERSHIP

Kneissl & Friends, owner of the **Kneissl** brand of skis and ski boots, which recently restructured its production apparatus to concentrate on top-end ski models, is in negotiations with potential new investors who may want to take over and build it up as a small exclusive Tyrolean brand, a bit like **Stöckli** in Switzerland. A foreign investor has made an offer that would eliminate all the remaining manufacturing operations in Kufstein, but the owners are looking for alternatives. Run by **Florian Brunner,** Kneissl is projecting sales of less than €10 million for this year on deliveries of 40-45,000 pairs of skis and 15-20,000 pairs of ski boots.

Kneissl filed for the equivalent of Chapter 11 bankruptcy a few days ago on net debt of €2.3 million and a negative cash position of €18 million. It can now continue to operate normally for another 4-5 months under this new status, but its parent company, **Kneissl-Dachstein AG,** wants to divest it as it has already done with its other holdings in the sporting goods sector.

After the sale of **Raichle** to **Mammut** and the sale of **Dynafit** to **Salewa**, Kneissl-Dachstein has spinned off **DeeLuxe** as a separate entity and sold to it the Dachstein brand two weeks ago. Specializing in snowboard products and run by **Klaus Brandstätter**, a former European **Burton** executive, out of Austria, DeeLuxe is now attempting to revitalize the Dachstein brand in the broad outdoor sector and to expand its international presence, targeting a younger clientele. Dachstein had lived until now under Raichle's shadow, focusing on trekking and on the Austrian and German markets.

Erhard Grossnigg, the Vienna-based management consultant, now shares on a 50-50 basis the ownership of DeeLuxe with the management of **Raichle Japan,** which has build up DeeLuxe as one of the 2 or 3 major brands of snowboard boots on the Japanese market. Grossnigg is one of the shareholders in the Kneissl-Dachstein holding company along with other investors such as **Michael Salzer** and **Peter Hasselsteiner.**

HAWTIN SELLS POWERSPORT TO ITS MANAGEMENT

PowerSport International, the British manufacturer and distributor of fitness equipment that took over **Powerjog** one year ago, has now been sold to a new company controlled by its managing director, **Paul Slavin,** and other members of the management. PowerSport's former owner, the public **Hawtin plc** group, recently divested other properties to reduce its debt but continues to hold on to other companies in the leisure and wellness sector including **Gul,** the major British brand of wetsuits, which recently closed down its large manufacturing facility at Bodmin in the UK *(more on Gul in the next issue).*

The Euro

May 20 Rates:

Danish Krone	7.425
Norwegian Krone	7.953
Pound Sterling	0.714
Swedish Krona	9.176
Swiss Franc	1.513
U.S. Dollar	1.169
Canadian Dollar	1.589
Japanese Yen	136.2

PowerSport went through some unfortunate vicissitudes lately. Aside from the costly integration of Powerjog, whose well-known treadmills are now manufactured along with its own strength equipment at its own factory in Bridgend, PowerSport had to endure the receivership of a large European export customer and problems in getting paid by a North American client who had placed orders for many fitness clubs.

Both customers had worked well with PowerSport in the past, but their cash problems led to a £2 million (€2.8m-$3.3m) provision that weighted heavily on PowerSport's results last year, contributing to a pre-tax loss of £3.4 million (€4.8m-$5.6m) on sales of £7.8 million (€10.9m-$12.8m) and to a net debt position of £900,000 (€1.2m-$1.5m). The management has now acquired PowerSport from Hawtin for up to £685,000 (€959,000-$1.1m), a figure which may be adjusted depending on the settlement of PowerSport's longterm debt of £1.85 million (€2.59m-$3.02m), which Hawtin is taking over. Furthermore, Hawtin will lease the Bridgend facilities to PowerSport for 15 years at an annual rental fee of £145,000 (€ 203,000-$237,000), up from the current internal fee of £88,000.

Prior to PowerSport's divestiture earlier this month, Hawtin sold **Ultrabronz America**, a US company that was distributing its own **Barclay** sunbeds, to its former managing director, **Bob Latham**. It also sold off an office and warehousing complex in Gwent, Hawtin Park, for £6.1 million (€8.5m-$10m). Hawtin says it will continue to pursue disposals that may lead to a reduction in debt – a strategy on which the British group embarked after undisclosed investors expressed interest in its acquisition last Fall. On the other hand, Hawtin acquired **MMC**, a French manufacturer of swimming pool pumps and filters that has been working with one of its own subsidiaries, **Cartikin International.**

Hawtin has reported a pre-tax loss of £8,075,000 (€11.3m-$13.2m) for the year ended last Dec. 31, up from the previous year's loss of £5,974,000, but its operating loss of £6,969,000 (€9,761,000-$11,400,000) included exceptional charges of £3,594,000 (€ 5,034,000-$5,879,000), against extraordinary income of £1,745,000 (€ 2,444,000-$2,855,000). The mini-conglomerate's turnover increased to £53.9 million (€75.5m-$88.2m) from £50.4 million. **Roger Atkinson** has left after a short stint as CEO of the group. The chairman, **Leonard Dovey**, now acts as CEO as well.

MONTEBELLUNA PROSPERS

Suppliers of sports shoes and sports apparel based in the Montebelluna region of Italy scored relatively well last year, considering the competition and the difficult economic situation, according to the annual OSEM survey conducted by **Montebelluna's Boot Museum Foundation.** In terms of volume, including items partly made or assembled abroad, their combined sales of sports shoes increased by 4.11 percent to €1,297.4 million, with a 1.91 percent gain before inflation and with 6.34 percent higher deliveries of 32,453,477 pairs. Their sales of clothing and accessories grew by 4.48 percent to €261.1 million, or 2.28 percent up on 2001 in real terms, with a 0.6 percent drop in apparel items.

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Some categories of footwear recorded interesting evolutions in 2002. Hiking and trekking shoes were Montebelluna's best-sellers, with sales increases of 27.2 percent in volume and 26.3 percent in value. Soccer shoes performed relatively well, growing by 12.2 and 21.5 percent, respectively, while sales of tennis shoes rose by 3.8 percent in volume and by 8.5 percent in value. Sales of cycling boots declined by 5.5 and 11.8 percent, respectively, but motorcycling boots resumed their growth, recording increases of 10.1 and 7.4 percent.

On the other hand, local brands are generally giving up the competition against **Nike** and other majors in the area of running shoes, leading to sales declines of 37.8 percent in volume and 32.8 percent in value in this category, in spite of continued favorable market conditions. Other sports categories dominated by foreign brands, such as basketball, are also losing ground in the Montebelluna area. While in-line skate sales dropped by 17.7 percent in volume and by 15.5 percent in value, ice skates showed increases of 0.2 and 5.6 percent, respectively.

Snow boots remain the big specialty of the Montebelluna region, but they overall sales fell by 1 percent in volume and by 7.6 percent in value last year, confirming the downward trend of the past few years. While the acquisition of **Nordica** by the **Tecnica Group** *(see bext article)* is fuelling hopes of recovery, the local brands' sales of ski boots declined by 1.3 percent in volume and by 11.5 percent last year. Snowboard boots were down by 6.9 and 7.7 percent, respectively. Telemark ski boots were off by 11.8 and 2.6 percent. After-ski boots were instead up by 5.5 and 8 percent.

Local industry officials hope that China will become an important ski market in the future, with a projected 20 million participants by 2020 as compared to about 26 million now in the Western World.

Sales of street and leisure shoes, which had grown sharply in 2001, rose by only 2.3 percent in volume and by 1.3 percent in value last year, scoring better than the Italian shoe industry as a whole *(details in Shoe Intelligence)*. However, local firms are developing more and more in the area of safety shoes, whose deliveries jumped by 110.5 percent to 642,142 pairs in the past year, with a 75.8 percent rise in value, representing 1.9 percent of the country's total production in this domain.

Meanwhile, the local players continue to carry out increasing portions of the more labor-intensive manufacturing processes in Romania, China and other countries, leading more and more small subcontractors to shut down. A total of 36 local firms, including 12 of the local 176 shoe producers, went out of business in 2002, involving a 3.7 percent drop in total employment to 8,608 people. The number of manufacturers of shoe uppers in the region has declined to 71 from 181 back in 1990. Instead, 100 local firms get their uppers manufactured and stitched at foreign locations, led by Romania with 44 installations, China with 11 and Croatia with 10. A total of 86 firms get the entire shoe made outside Italy, where the government is planning to propose to its partners in the European Union the imposition of mandatory labels of origin for all consumer products sold in the EU, much like the USA *(more on this in Shoe Intelligence)*.

SPORT 2000 INTERNATIONAL GAINS MARKET SHARES

The table below shows only a 3.6 percent increase to €3,568.4 million in the retail turnover of the member organizations in 2002, but without certain structural changes it would have increased by about 10 percent, clearly ahead of the growth of the total European market *(more on this later)*. Among the changes, **Euretco** in Holland started last year to count only the members who agreed the **Sport 2000** banner, making a big difference year-on-year in turnover and number of stores, but in reality its retail turnover in sporting goods increased by about 3 percent. Furthermore, **Sport 2000 International** stopped working with a Canadian retail partner in purchasing, leading to a loss of 195 affiliated stores, and broke up a cooperation agreement with **Garant Schuh + Mode** for Belgium, Switzerland, the Czech Republic, Hungary and Poland, which covered a total of 226 outlets. **Finn Carlsen,** secretary general of Sport 2000 International, has since brought in **United Brands** as the new licensee for Belgium, after a test period, and he is negotiating potential licenses in the Czech Republic and Poland.

Shareholders		Market share 2002	Turnover 2002	Turnover 2001	Difference in %	Outlets 2002	Outlets 2001	Difference in %
Austria	SPORT 2000	22%	245	254	-3.5%	303	301	0.7%
Denmark	Sport Danmark	24%	135	120	12.5%	100	110	-9.1%
England	Sports Soccer	11%	540	560	-3.6%	110	109	0.9%
Finland	Wihuri Oy	13%	60	63	-3.4%	59	67	-11.9%
France	SPORT 2000	6%	349	305	14.4%	408	400	2.0%
Germany	SPORT 2000	17.50%	1,309	1,170	11.9%	1,095	1156	-5.3%
Greece	Hellenic Flame	1%	3	0	1150.0%	5	3	66.7%
Italy	Selezione Sport	5%	220	230	-4.3%	214	170	25.9%
Netherlands	SPORT 2000	4.3%	45	135	-66.7%	97	292	-66.8%
Norway	MX Sport Chain	11.20%	87	82	5.5%	119	118	0.8%
Spain	Detall Sport Shops	12.5%	201	173	16.2%	410	410	0.0%
Sweden	Team Sportia	15%	200	182	9.9%	139	140	-0.7%
Total			**3,393**	**3,274**	**3.7%**	**3,059**	**3,276**	**-6.6%**
Buying partners								
Balticum	MDG	19%	20	5	300.0%	45	12	275.0%
Belgium	United Brands	2.20%	15	n/a	-	8	n/a	-
Ireland	Lifestyle Sports	30%	120	n/a	-	65	n/a	-
Slovenia	SPORT 2000	4.5%	3	n/a	-	8	n/a	-
Switzerland	Evus Partner	1%	15	17	-11.8%	15	15	0.0%
Turkey	Sport Point	n/a	3	n/a	-	6	n/a	-
Garant & Canada			out	146		out	488	
Total			**175**	**168**	**4.2%**	**147**	**515**	**-71.5%**
GRAND TOTAL			**3,568**	**3,442**	**3.7%**	**3206**	**3791**	**-15.4%**

A majority of companies in the region feel that the year 2003 will be the same or better than the past year, according to the OSEM survey, but 15.4 percent of those employing less than 10 people are afraid to shut down. On the other hand, the growing offshore processing trend – now involving 77.8 percent of the apparel firms and 42.7 percent of the shoe companies in the area - is raising some question marks about the region's ability to sustain the continued development of innovative products, capitalizing on a typically Italian cross-fertilization that takes place among the companies located in the country's various industrial clusters, involving also suppliers of machinery and components. The Italian government is readying new legislation to favoring collective training, technological development and promotion projects within these so-called "distretti," but it's also promoting their industrial cooperation with low-cost manufacturing regions in other parts of the world through joint ventures and other schemes. At least one large group is weighing the opportunity of transferring part of its own R&D activities from the Montebelluna area to China.

Shoe Deliveries in the Montebelluna Region
(Euros & Pairs)

	2002 Euros	% Change vs. 2001	2002 Pairs	% Change vs. 2001
Soccer	52,467,836	21.5	2,436,630	12.2
Cycling	20,235,930	-11.8	497,733	-5.6
City & Leisure	364,479,580	1.4	11,422,756	2.4
After-Ski	55,873,982	8.0	3,297,285	5.5
Jogging/Running	15,793,060	-30.6	623,617	-37.9
Hiking/Trekking	267,648,391	26.3	7,473,867	27.2
Motorcycling	85,930,769	7.4	1,259,624	10.2
Roller Skates	60,673,543	-15.5	1,150,525	-17.8
Ice Skates	8,430,416	5.6	292,877	0.2
Ski Boots	219,979,074	-11.5	3,307,816	-1.3
Safety	20,727,515	75.8	642,142	110.5
Snowboard	30,607,953	-7.7	476,980	-6.9
Telemark	9,451,796	-2.6	95,058	-12.8
Tennis/Cross-Training	26,403,866	8.6	1,534,755	3.8
Miscellaneous	58,734,552	25.6	n.a.	-
Total	**1,297,438,263**	**4.1**	**34,511,665**	**6.3**

TECNICA GROUP STARTS INTEGRATING NORDICA AND ROLLERBLADE

Moving swifly only a few weeks after its acquisition of **Nordica** and **Rollerblade** from the neighboring **Benetton Group**, **Tecnica Group**, which has become the largest factor in the Montebelluna region, has started the delicate process of integrating these brands into its own organization, especially on the sales side, making sure that they will benefit from maximum support for after-sales service.

As previously reported, Tecnica's German subsidiary, **Lowa**, has already taken over responsibility for Nordica and Rollerblade in the country, and the same thing is happening in Italy and other parts of Europe. **Tecnica France** will handle Nordica and Rollerblade as well now.

In the USA, Tecnica's office in New Hampshire – a part of the country which is described as "Little Montebelluna" – is taking over the administration, sales and logistics for the two brands from the former **Benetton SportSystem USA** office in New Jersey. Run by **John Stahler**, a company veteran, **Tecnica USA**, which handles also the **Dolomite** brand in the USA, will re-hire only part of Benetton's personnel, growing to a staff of about 120 persons. Canada will be next, reporting to the US office.

One of the tasks ahead will be to find the ideal positioning in the market for the group's 3 brands of ski boots – Nordica, Tecnica and Dolomite – while preventing any reciprocal cannibalisation. A working group is studying the issue, making sure that each brand will have by next Fall its own distinctive position in each major "valley" of the world and its own team of testimonials.

Each brand will continue to be run as a profit center, with its own R&D, following the philosophy established by **Giancarlo Zanatta**, chairman of the successful Tecnica Group and now CEO of Nordica. A single entity within the group will act as the sourcing and production center for all the brands, with facilities and subcontractors in Italy, Poland, Croatia, Slovenia, Romania and possibly also China, where Nordica had started to carry out some production.

The synergies will be considerable, also in terms of the supply of materials and components, considering that the group now represents more than one-third of the total world market for ski boots. Including in-line skates and hiking boots, it will deliver a total of about 5 million pairs a year. Among other things, there is ample room to improve the productivity of Nordica's injection molding facility in Hungary as it is much lower than that of Tecnica, which still uses 18 machines to make 650,000 pairs of ski boots in Montebelluna.

To help him to conduct the integration process, Zanatta has hired **Giovanni Zoppas** as head of finance and administration. The Italian executive worked for Benetton Group in administration and controlling before occupying briefly a similar position at **Geox** in 2000/2001, in view of a planned public offering that did not take place afterwards.

ASOLO REORGANIZES LOWE ALPINE'S DISTRIBUTION

Asolo, the little Italian mountain boot company controlled by the family of **Ambrosiano Zanatta**, 72-year-old brother of **Tecnica's Giancarlo,** has nearly completed the integration of **Lowe Alpine,** the bigger British outdoor clothing and equipment firm it acquired last Dec. 5. Asolo's management, which is led by Ambosiano's children, **Marco** and **Luca Zanatta**, has eliminated 11 of the former 80 jobs at Lowe Alpine's headquarters in Kendal and restructured the latter's operations in the USA, where another 11 of the former 15 staff members have been laid off.

Starting next June 1, the small sales office of **Asolo USA** in New Hampshire, headed up by **Bruce Franks,** will take charge of administration, sales and customer service for both brands, with Lowe Alpine's former US president, **Jeff O'Keefe**, running a small sales staff in Boulder, Colorado as president of its Lowe Alpine division. A third-party warehouse will take care of both brands as well.

In France, Asolo will stop working through **Ricochet,** an agent that is being taken over by **Salewa** to set up its own sales subsidiary in the country, run by **Pierre-Jean Touchard**. Two former co-owners of Ricochet, **Yves Denu** and **Claude Guillemin**, will join Lowe Alpine's existing French sales subsidiary, which will then handle Asolo's footwear as well. Lowe Alpine's own sales operations in Germany, the UK and the Benelux countries will also take care of Asolo in the respectively markets and in Austria, replacing former agents. Asolo was previously selling previously through Salewa in Austria, through **DB Outdoor** in the UK and through **Van Megen** in Benelux.

Salewa will continue to sell Asolo shoes in Switzerland, where it has done a good job with the brand. In Italy, Asolo will take over Lowe Alpine's distribution from an agent, **Travel**. In Canada, Asolo's agent, **Infinity Sports**, will also handle Lowe Alpine, terminating a relationship with a former licensee. Negotiations are still taking place for the distribution of the two brands in Japan.

Lowe Alpine's results, which have been consolidated with those of Asolo only since last Jan. 1, show an operating loss of £1.5 million (€2.1m-$2.5m) for last year on 12 percent lower sales of £27 million (€37.8m-$44.2m), but the brand is expected to break even by 2004 on sales of about £25 million (€ 35m-$41m), following the elimination of accounts that were paying late or not at all. The new owners are investing a lot on product development for the Fall/Winter 2004/05 collection, which will again include some **Gore-Tex** models.

Asolo had a 14 percent gross operating margin (Ebitda) last year on 18 percent higher non-consolidated sales of €21.8 million, generating a pre-tax profit of €1.2 million before goodwill amortization. Asolo USA grew by 12 percent to $8.8 million. Asolo, which will present many novelties at the next **OutDoor** fair in Friedrichshafen, including multi-purpose light hiking and travel boots and 5 new soles, predicts an 8 percent increase in deliveries for this year, doubling in France.

THE DANIELIS HIRE PROFESSIONALS TO DEVELOP CACAO AND PAPERMOON

The **Danieli** family has recruited two young and experienced executives to help reorganize **Intreco**, the Italian children's apparel company that they acquired earlier this year along with its two brands, **Cacao** and **PaperMoon,** and to give it a new impulse. Distributed mostly in Italy for the moment, they both target children between the ages of 0 and 10 years, specializing respectively in active sportswear and in the medium-high-end fashion sector.

The new executives are **Mauro Visentin** and **Sandro Andolfatto**, who serve as general manager and chief operating officer of the company, the same positions that they held previously at **Stonefly**. Visentin and Andolfatto are going to work at Intreco together with **Marco Danieli**, son of **Roberto Danieli**, who acts as executive and commercial director. They all replace in effect **Piero** and **Adriano Comunello**, the brothers who founded and ran Intreco until recently.

The Danielis, who sold **Diadora** several years ago to **Invicta,** know Visentin well. They also sold a few months ago their 50 percent stake in Stonefly, a major Italian brand of comfort shoes, to **Adriano Sartor** and to his partner **Andrea Tomat**, who is also the CEO of **Lotto**. Visentin, who is 37 years old, worked previously for **Diadora**, particularly in the USA. He joined Stonefly at the beginning of 2001. Andolfatto, 43, moved to Stonefly in 1998 after working for **3A Antonini,** the Italian firm that markets the **Lumberjack** brand of casual shoes. At Stonefly, **Loredana Polo** and **Luigi Villanova** have taken over Visentin'sa and Andolfatto's positions, respectively.

One of the immediate priorities at Intreco is the reorganization of the administration and of the production process, improving deliveries and taking full advantage of the company's own manufacturing facilities in Romania to offer a better price/ quality ratio. At the same time, the new owners want to build up the Cacao and PaperMoon brands, partly by promoting the establishment of corners and shop-in-shops in multi-brand stores after improving the merchandising of the company's own 6 existing Cacao concept shops in Italy.

Foreign expansion, line extensions and new business development are among the plans for the medium and longer term. Exports represent for the moment only about 10 percent of Intreco's revenues, which declined by about 10 percent last year to €20.1 million, and the management sees a lot of potential for Cacao with its Italian design in foreign markets, particularly in the Far East and in North America.

While it's known mainly for its children's snowear, Cacao can become a multi-sports brand for the sporting goods stores. A diversification of both brands into footwear is a real possibility. While exploring licensing opportunities for adult brands for children's wear up to the age of 12, the Danielis are studying the possibility of launching a new brand or buying an existing one to reach out to the 13-to19-year-old market segment.

NEW BALANCE BUNDLES EUROPEAN LOGISTICS

New Balance, now the 3rd largest brand of athletic shoes in the USA *(table will come out soon)*, has hooked up all its European subsidiaries on to its new European logistic center in Holland, allowing for faster deliveries and lighter inventories of multiple-width models in spite of the growing business. The number of pairs sold in Europe grew last year for the brand to 2,638,000 worth €72 million from 2,393,000 in 2001 and they are now expected top 3 million pairs worth more than €80 million in 2003 after a 17 percent year-on-year increase in the 1st quarter. Worldwide, New Balance sold a total of 44 million pairs worth $1,297 million in 2002, up from 38 million pairs worth $1,160 million.

Developed by **Eddy McDermott**, a former logistics director of **Nike Europe**, the new European supply chain management system of New Balance has been in a test mode for 18 months, starting by linking the German market up to the Dutch warehouse in Heerenberg. The subsidiaries in Sweden, France, Benelux and the UK were added on later. The new system, which is based on **Geac** software, keeps track of all the core products and in-line models stocked there and in two satellite warehouses in the UK and Sweden, permitting stock replenishment and reorders within 24 hours.

Meanwhile, New Balance is recording excellent sell-throughs in Europe for its new **PF Flyer** collection, which has been introduced very selectively in a few stores throughout the continent, like in the USA. In Europe, the distribution of this old American casual footwear brand has been limited for this season to only 30 stores, or 10-12 doors per country including stores like **Citadium**, **The Tube** or **Le Refuge** in Paris, **Office** and **Offspring** in London and **Scout** in Bologna.

At the same time, **Gartner Sports**, the Italian distributor of New Balance, is gearing up to launch at the **Pitti Uomo** fair in Florence next month the company first line of leisure apparel. Complementing a 2-year-old European performance apparel line designed in the UK, the new line, which is designed by an Italian, may be introduced in other markets such as France and Greece at a later stage if it works out well.

Italy remains a market where fashion is still important, but the brand's sales there remained flat last year, with a 20 percent increase for performance shoes. New Balance continues to strengthen its position in the French performance running market where it has overtaken **Nike** as the #2 factor, after **Asics.** Its sales of running shoes in Germany are up by 40 percent. They have grown also in the Benelux countries, the UK, Sweden and Spain.

SORBOTHANE REBOUNDS, TARGETING EUROPE

Sorbothane, the British specialist in sports and medical injury and rehabilitation products, has decided to play a stronger role on the Continent under its new owner, **Phoenix Medical Ltd.**. For this purpose, it has booked a stand in Hall A2 of the **ISPO** fair in Munich, starting next June 28, after a long absence, to build up relations with foreign distributors and retailers after taking new initiatives in product development and marketing. Known especially for its **Shockstopper** range of footbeds, insoles and heel pads, Sorbothane has also started discussing possible licensing or co-branding ventures with some major athletic footwear brands, trying to do a little bit what **Gore-Tex** has done in the area of breathable membranes.

Phoenix, a progressive UK manufacturer of medical and surgical rubber products, bought most of the assets of Sorbothane one year ago, including a new line of technical hydro-colloid blister plasters called **SorboSkin** and **Bodyguard,** a line of neoprene supports and footbeds that it subsequently divested. The operation, which previously belonged to **Unipoly**, a rubber company born in 1997 out of a management buyout from the former **BTR**, was relocated to Phoenix' nearby premises in Leyland, Lancashire, along with its polymer injection moulding equipment and its staff of about 35 people. **Martin Newton** continues as sales manager and **Nia Humphreys** as marketing manager, following the departure of the former commercial director, **Hasmukh Vaghela.**

Made up of a unique visco-elastic polymer, Sorbothane Shockstoppers have long made the claim that they can dissipate up to 94.7 percent of the shockwaves that go through the body while walking, running and jumping, minimizing the risk of aggravated injuries, muscle soreness and stiffness, without altering foot alignment. Phoenix, a company which believes in the value of R&D and marketing, has since set about to revitalize the Sorbothane Shockstopper brand, starting with new products. One new product development currently being tested is the **Graphite Arch**, a slimmer, lightweight and less obtrusive insole specially designed for running shoes. Sorbothane has also started a project to adapt its **Pro Sole** pimpled insoles to the needs of golf players. Designed for use in spiked and studded shoes, these insoles are already used in soccer, rugby, hockey and basketball boots.

Meanwhile, Sorbothane has developed new packaging, merchandising fixtures and advertising to maximize UK sales. Promotional activity has become more intense since the change of ownership, and many of the UK retailers who carry the brand in their 1,000-odd stores have already started to notice a positive difference. In addition to a hard-hitting advertising campaign during the recent **Flora London Marathon,** Sorbothane has been sponsoring various grassroots events and started working more closely with sports departments in the schools. In March, Sorbothane announced the sponsorship of a 1,000-mile climbing and paragliding expedition by a British couple through Africa. Today, a British runner, **Ray Mouncey**, begins a 2,500-mile run across the USA, from Los Angeles to Florida, with Sorbothane's support to raise more funds for a new children's hospice in London. Like in previous runs across Death Valley, Mouncey says he will only complete the run by putting Shockstoppers in his big-brand running shoes.

Sorbothane is still known for the most part in the UK, which represents about two-thirds of its annual sales of approx £1.5 million (€2.1m-$2.5m). The second-largest market is France where the brand has been distributed for years by **Sacedi International.** Other distributors are in place in Ireland, Germany, Austria, Italy and Norway and Sorbothane recently signed up a new distributor for Benelux, **Rademaker Sports,** replacing **Dunlop Slazenger.**

NEW "BAREFOOT" TECHNOLOGY SWEEPS THROUGH EUROPE

Swissmasai, a Swiss company that sells shoes featuring its own **Masai Barefoot Technology**, has signed a flurry of new deals to expand its distribution across Europe and the USA. Established 5 years ago, the company started off in the Germanic countries, where sales should reach about 200,000 pairs this year, but the new agreements should double European sales over the next two years.

The growth should be even steeper worldwide, as Swissmasai is preparing to sign contracts with US and Japanese agents over the next weeks. In the USA and Japan, annual deliveries are set to reach about 500,000 pairs per market after 5 years.

The latest European deals for MBT shoes cover the Benelux and Italy, where Swissmasai hopes to sell up to 10,000 pairs this year, through sporting goods stores as well as orthopaedic shoe stores, clinics and mainstream shoe stores. The agreements came just months after a contract in the UK and they are likely to be followed by more in Scandinavia, France and Spain before the end of this year. They are all being signed by **Wolfgang Fritz,** the company's well-known international sales and marketing manager, who previously spent 15 years in the same position at **HTM** and another 5 at **Carrera**.

MBT was developed by **Karl Müller**, a Swiss engineer who owns Swissmasai together with **Hans Niggel**, a former Swiss soccer player. Müller suffered from back problems and came up with shoes that simulate barefoot walking innovative training programs. Retailers are invited to take part in general training on walking techniques at an MBT academy, as well as more specialist courses by registered teachers. Agents in each of the countries where MBT trades must invest to set up such an academy and to school future MBT teachers.

Swissmasai's ales reached €29 million last year and they are expected to increase to about €40 million this year, largely on the back of the new foreign distribution channels. The company is only moderately profitable, as it continues to invest in infrastructures. While all of its products are currently sourced from South Korean suppliers, Swissmasai is building its own plant in the country to start producing MBT shoes towards the end of the year. The company is owned by Karl Müller

NEWS BRIEFS

Karstadt-Quelle's department store and specialty retail operations, which include its 31 **Karstadt Sporthäuser**, its 114 **Runners Point** stores and its 17 **Golf House** units, suffered a 7.1 percent sales decline to €1.6 billion in the 1st quarter of this year, doubling the operating loss to €104 million from €47 million in the same period a year ago, despite a 5.1 percent reduction in the number of employees. Besides the late Easter of this year, the figures were not quite comparable, however, as they included a reduction in the number of **Schauland** audio/video stores from 16 to 7. Overall, the group's pre-tax loss before extraordinary items sank from €104.1 million to €35.3 million in the quarter on 1.1 percent lower revenues of €3,683 million, but excluding extraordinary items, the year-on-year improvement was only of €16 million. Meanwhile, the bankruptcy court has approved the bid presented by **Karstadt-Quelle** and other partners, including **Hans-Dieter Cleven**, for the acquisition of the **DSF** sports TV channel and **Sport 1**, defeating a proposal by **Haim Saban**, the US investor who has already bought **Kirch Media's Pro Sieben Sat 1** channel. The German Cartel Office is the only hurdle left in the takeover.

Simon Rider, the 48-year-old British executive who spent the last 4 years in Holland as CEO of **Foot Locker Europe**, is starting a new challenge in England as president of **Speedo International**, responsible for the development of **Pentland**'s swimwear brand worldwide, starting June 9. He takes over the position vacated by **Joe Fields**, who returned to the USA at the end of last year. Prior to his station at Foot Locker, where he grew the business successfully and profitably to 350 stores in 12 countries, Rider ran **British Knights Europe**, **Converse UK** and **Converse Europe**. He also worked for **Hi-Tec Sports** for a little while. He started his career in fashion retailing working with **Jiigsaw** and **Hennes & Mauritz**. Meanwhile, a US industry veteran, **Harry Friedman**, has been appointed as general manager of Speedo footwear and accessories at **Warnaco**, the brand's licensee in the USA. He will work closely with **Dave Robinson**, Speedo International's category manager for equipment and footwear.

Extending the present agreement, **Adidas** has signed a new 10-year sponsoring deal starting in 2004 with **Olympique de Marseille**, the soccer club controlled by **Robert Louis-Dreyfus**, former chairman of Adidas. The agreement, which carries an undisclosed price tag, is described as the largest and longest ever signed between a French soccer club and a sporting goods supplier. For several years OM has been suffering from poor play and allegations of serious financial wrongdoings, which have led to legal proceedings against some of the club's former managers. Another main sponsor, **Khalifa Airways**, has been at the center of deep controversy regarding its suspected links with unsavory Algerian characters. However, OM has been performing much better this year and it may even qualify for the **Champion's League**. The club's president, **Christophe Bouchet**, a former journalist, points out that OM continues to have very strong commercial appeal, selling more replica shirts than **Arsenal,** for example. Adidas has already been tied with OM for 25 years and the partnership will be intensified over the coming years. Along with the sale of OM shirts, Adidas will set up **Allo OM**, an electronic portal for all kinds of services around the club.

Mark Hume McCormack, the US executive who founded **International Management Group** (IMG) in 1960 and ran it until recently, has died at the age of 72 in New York following a coma caused by a cardiac arrest suffered last January. Regarded as "the most powerful man in sports," McCormack practically invented the sports business. His first client was **Arnold Palmer,** the legendary golfer. **Tiger Woods** and **Venus Williams** have been among IMG's more recent clients along with personalities such as **Liz Taylor, Margaret Thatcher** or **Pope John Paul II**. Two IMG executives, **Bob Kain** and **Alastair Johnson,** have been running the business since last January's heart stroke.

CLARIFICATIONS: The figure of £650 million given for the UK outdoor market in the last issue, in connection with **Berghaus**, refers only to retail sales of outdoor clothing, footwear and equipment in specialty stores. The store being opened by **The North Face** in London's Covent Garden will be owned by **Ellis Brigham**, which already has its own store across the street. Ellis Brigham is the outdoor retailer that introduced TNF in the UK over 20 years ago.

SHORT STOPS

Rainer Angstl is leaving as joint managing director of **Sport Scheck** to become executive manager of another German retailer in Munich, **Sporthaus Schuster**, which recently bought **Sport Münzinger**, where it will be respeonsible for purchasing, distribution and marketing +++ A French store specialized in running shoes, **Le Marathonien** of Remiremont, is currently testing an interactive shelf equipped with two flat screens, a scanning device and a stool, designed by a European development team called **ShopLab**, to help guide the consumer's choices +++ **Tony Wood** of **Berghaus** has been elected as chairman of the **Outdoor Industries Association** of the UK, replacing **Andy Airey** of **George Fisher**

SPORTING GOODS INTELLIGENCE
Europe

+++**Dominique Pohu**, who has run the French operations of **Benetton SportSystem** and **Arena** for many years, re-surfaces in another sector as managing director of **Alain Mikli**, a highly creative and fast-growing French eyewear company *(more on this in EyeWear Intelligence)*, but he is still in judicial litigation with **Cristiano Portas**, the Italian-based chairman and CEO of **Arena International** +++ **Killick Datta**'s Global Brand Marketing Inc. (**GBMI**) has hired **David Orr**, a former US executive of **Yamaha** and **Mizuno** who acted more recently as director of US footwear sales at **Adidas**, to act as vice president of US sales for its newly acquired **Pony International** subsidiary +++ **Oakley** has signed a licensing deal with **Ducati** to develop and sell exclusive eyewear models for the famous Italian motorcycle brand, starting with adapted versions of some of its best-selling styles +++ **Regatta** is building a new expanded 50,000-square-foot warehouse next to its head office in the UK, with a new software system that should help improve deliveries throughout Europe +++ Ahead of the next **World Soccer Cup**, to be played in Germany in 2006, **Adidas** and the **German Football League** are setting up a "Be a Champ 2006"training program for youngsters, which will be supervised by the league's talent scouts and some of its top players +++ **Nike** has signed up **Wayne Rooney**, the star player of the **Everton** soccer team in the UK, taking over from **Umbro** +++ **Duarig** replaces **Umbro** as official sponsor of the **AS Saint-Etienne** soccer club in France +++ **IWA**, the international hunting fair in Nuremberg, which hosted 966 exhibitors this year, recorded a 9% increase in attendance to a total of about 27,000 persons +++ **Viva!**, a group of animal rights activists, has sued Adidas in a California court for its use of kangaroo leather in shoes, which would be illegal under state law +++ Dutch customs have seized and destroyed 2,900 counterfeit women's coats, bearing the **Solumbia** (sic) label and an imitation of **Columbia Sportswear**'s logo, that were being shipped in from Hong Kong to go to Germany +++ **Skechers** has settled its dispute with Britney **Spears**, the young American pop singer who had requested $1.5 million in damages over the cancellation of a sponsorship contract for its former **Britney 4-Wheeler**s line of roller skates +++ **Inside Communications**, which publishes *VeloNews* and *Inside Triathlon* in the USA, has acquired the *Ski Racing International* magazine +++ **John M.Conway**, founder of the *Wavelength* magazine in the UK and publisher of two books on surfing, has died after fighting against cancer at the age of 55.

"ChameLeon" is the theme chosen by the **IDEAS** Group for its **Summer 2005 sports color card** at a meeting in Homburg, Germany on May 10-11. Half camel and half lion, the chameleon is a symbol of rebirth. It represents two ambivalent attitudes toward the growing complexity of today's society. We hide or we react. We reject the external world or we adapt to it. Using the old concept of "camouflage" in new ways, professional sports-specific designers from all over the world have contributed to develop IDEAS' color card for the season, which mixes natural tones with reds and other bright tonalities, creating tension between calmness and excitement. Published by us, the color card will be presented at IDEAS' stand in Hall A5 at the **Summer ISPO**, starting on June 29, along with the "**Black Hole**" color card developed by IDEAS for **Winter 2004/05** last December in Chamonix, France.
Each color card costs **€75**. If interested in our authoritative international color cards for your product managers and designers, contact us through info@edmpublications.com, giving us their names and e-mails to send them the documentation.

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