

ROCKPORT: EXPANDING IN THE CASUAL LIFESTYLE MARKET

Rockport is a leading global, lifestyle footwear brand. It combines modern and stylish design with advanced comfort and performance technologies derived from the athletic footwear industry to provide a unique competitive advantage.

From a category perspective, Rockport has major growth initiatives targeted at the urban/metro, outdoor, technology-oriented and women's segments of the casual lifestyle market. The brand strives to connect with many different consumer groups through a well-defined product segmentation, a disciplined channel-specific distribution strategy and the continued incorporation of industry-leading technologies such as adidas TORSION® into its product. Leveraging the Group's infrastructure (e. g. in emerging markets) is also a core element in Rockport's growth strategy. The brand expects to continue to grow its North American business while achieving increased sales internationally (i. e. outside of North America) going forward. By 2010, more than 50% of Rockport sales are expected to be generated in Europe, Asia and Latin America.

OPTIMIZING EXISTING DISTRIBUTION The wholesale business accounts for 84% of total sales in the Reebok segment. Historically, Reebok's distribution base has been rather narrow, comprising only certain channels (i. e. athletic specialty and family footwear) and a small number of customers. This distribution approach created an overdependence on, and an over-exposure to, particular retail partners. Subsequently, Reebok's bargaining power and brand image were negatively affected. In line with the Group's approach to diversify distribution, Reebok is now broadening its distribution mix and increasing its presence in other retail formats (e. g. sporting goods and department stores) in order to:

- ⇒ Improve brand image and regain credibility in sports,
- ⇒ Better service existing distribution channels, and
- ⇒ Reduce its customer risk. [▷ see Risk and Opportunity Report, p. 104](#)

In addition, Reebok increasingly differentiates its product assortment amongst retailers to best meet the needs of various consumer groups. The core distribution channels for Reebok-CCM Hockey are specialist stores and sporting goods retailers. Rockport products are primarily sold in department stores and the family footwear channel. By segmenting the brand and differentiating the product offering available for retailers, Rockport ensures a broad-based distribution of its products.

GROWTH OPPORTUNITIES THROUGH CONTROLLED SPACE

Reebok increasingly focuses on the roll-out of shop-in-shops with retail partners in mature markets, while expanding its own-store base as well as its mono-branded store network in emerging markets. In the near-term future, factory outlets will remain the most important format within Reebok's own-retail strategy in North America. Reebok-CCM Hockey mainly focuses on working closely with partners such as the NHL to establish jointly managed co-branded stores.

Building on its 2007 momentum (e. g. store openings in Russia and China), Rockport is expanding its own concept store base (particularly in emerging markets) and increasing its efforts in partnering with retailers via shop-in-shops. Further, Reebok and Rockport are significantly extending their e-commerce platforms to make the online channel another important element of their distribution mix. Overall, own retail accounts for 16% of Reebok segment sales.

IMPROVING BRAND MANAGEMENT AND GAINING MARKET SHARE VIA DISTRIBUTOR BUYOUTS

Reebok, Reebok-CCM Hockey and Rockport have each established own sales organizations in major markets around the globe. Nevertheless, all three continue to work with third-party distributors in many markets. To better control brand management and gain market share, Reebok and Rockport continue to buy back distribution rights for the Reebok and Rockport brands or wait until expiration of existing agreements with distribution partners to eventually set up their own sales organizations. The buyback of distribution rights offers additional sales potential and represents the most important area of Reebok revenue synergies.

[▷ see Outlook, p. 118](#)

INCREASING AVERAGE SELLING PRICES To reinforce its position as a premium sports and lifestyle brand, Reebok's goal is to significantly improve and increase its product offering at high- and mid-price points to drive growth in average selling prices. This approach may slow short-term top-line development by voluntarily foregoing commercial opportunities in the low-price segment. More importantly, however, it enables Reebok to build a platform for sustainable sales and profitability growth and preserves the brand's image.

As a leading manufacturer and marketer of technologically-advanced hockey equipment, Reebok-CCM Hockey primarily targets high-price points. By further strengthening its innovation leadership, Reebok-CCM Hockey intends to preserve its high average selling prices. The Rockport brand predominately competes at high- and mid-price points. To increase competitiveness in these price segments, the brand is committed to continuously incorporating advanced technologies into its products, making technology its main selling proposition.