

NFL PLAYERS MAY BE LOCKED OUT, BUT THAT DOESN'T MEAN SPORTING GOODS RETAILERS WILL BE

There has been a lot of talk recently about how the NFL lockout and upcoming NBA labor issues are going to do irreparable damage to the landscape of sports, and how they will cause fans to completely stop watching the sports.

While we don't know whether that will in fact happen, through the recent lockout, NFL players and owners are playing chicken with our ability to watch their sports, and the heated exchanges between the two sides in the negotiations are causing a lot of people to wonder whether we will see pro football or pro basketball during the sports' 2011–12 seasons.

This got us thinking — will sporting goods retailers be affected by the NFL lockout and the impending NBA labor issues?

To put the question in perspective, according to the NSGA's Sports Logo Market in 2010 report, NFL logo merchandise sales from just those who had attended or watched a game was \$1.6 billion in 2009. The NBA had sales of \$324 million from people who attended or watched a game.

With sporting goods stores the second-largest sellers of both NFL and NBA sports logo apparel according to the same study, it would make sense that these outlets would take a hit. Or would they? *Retail Focus* reached out to an expert to help all of us understand whether these labor issues will have an effect, and what he said may surprise you.



Greg Weisman serves as the chairman of the Apparel Industry Practice Group at Silver & Freedman, an LA law firm where he also represents several high-profile musicians, athletes, actors, models and other celebrities in connection with their merchandising,

endorsement, branding and other “non-entertainment” and “off-the-field” business endeavors, both within and outside of apparel. Read on for Greg's take on how sporting goods retailers and manufacturers will be affected by the labor issues.

Retail Focus: *In your experience, how do you think sporting goods retailers will be affected by the NFL lockout and potential labor issues in the NBA?*

Weisman: It's unlikely that anything other than a full-season lockout or some unforeseen catastrophic work stoppage would have a material effect on the sale of branded sporting goods that are officially licensed products of the two leagues in question. The reason being consumers are pretty forgiving at this level, and have created brand identity with the individuals, the teams and the leagues.

RF: *Are there any other reasons why you feel there would be little effect?*

GW: You're talking about only the top echelon of branded goods at that level — the Nike, Reebok and adidas of the world — for which you have decades of hundreds of millions of marketing dollars that have gone to create that brand goodwill. You're talking about the world's strongest sporting goods apparel and footwear brands, and I just don't see a short stoppage really taking away the public's appetite for the goods or hurting the brands. This would be a collateral damage situation. It's not like a hot dog vendor is all of a sudden out of a job because there are no games. This is very collateral, and because the brand identity is so strong, I don't think it could have that big of an effect.

RF: *So if there is any effect, what will it be?*

GW: You might lose a few specific historical bumps in product. For example, Aaron Rodgers came off a Cinderella season, not as an unknown but as a midlevel player whose greatness probably wasn't known to the masses until he won the Super Bowl. My suspicion is that jersey individually would fly off the shelves at the

beginning of the season the same way Drew Brees did last year. Also, you get spikes in sales when there are a lot of trades and free agent activity when you have players going to different teams or newly drafted players coming in. The original out-of-the-gate sales of that jersey would likely be impacted.

RF: *So what would be a scenario where you see there being a large effect on sporting goods retailers?*

GW: If they did a scab season with replacements or something really odd, then it could get a little nutty out there. However, failing that, we see these things generally getting worked out because there is too much money at stake.



RF: *So should sporting goods retailers continue doing everything the same then, or are there things they should do to prepare in case there is some effect to these labor issues?*

GW: Obviously cautious buying is never a bad idea, and no one really knows what's going to happen. If I was opening an NFL-only store, I might be a little nervous, but most everyone hedges against this by a lot of buying all over the board. If a particular jersey or two didn't sell and they had to go to discount or off price quickly, that wouldn't surprise me. But I don't think I would see this as any gigantic red flag unless it means a sustained lockout.

RF: *What is your definition of a sustained lockout — into the season or well into the season, like 10 games?*

GW: I mean well into the season. People are diehard fans, and if the season gets postponed one or two games, I don't see a mass exodus of fan loyalty.

RF: *How about for manufacturers? Is the advice the same for them — keep doing what you're doing until you see a sustained lockout?*

GW: I'd be careful with at-once inventory, and would be looking at more pre-books rather than buying a lot of inventory on spec wondering if you could sell it. But other than that, until something really catastrophic happens, I'd say they should stay cautiously optimistic.

RF: *What about the impending NBA labor issues? Any effect on sporting goods sales?*

GW: Brand loyalty in the NBA is perhaps a bit more transient than the NFL, and that's probably because of what free agency and trades have done. People tend to like teams, but they like players as much, if not more. As players jump around, people do get turned off by a team quickly. The NBA has the ability to turn people off sometimes, so the risk might be a little stronger in the NBA than the NFL.

Greg Weisman is an attorney and serves as chairman of the Apparel Industry Practice Group at Silver & Freedman in Los Angeles. For more information on Greg, visit <http://www.bit.ly/weisman>.