MRI Report on Vans

Marketing 353
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Executive Summary

Vans is an athletic shoes manufacturer and retailer. The company focused primarily on skateboarding shoes when it was founded, but the brand has evolved to cover both fashion and action sports footwear. This report analyzes the demographics of Vans product users, and compares these demographics to two of Vans' competitors.

This report provides a statistical comparison of Vans to Converse and Keds. Our statistics were obtained from the MRI+ database, and are segmented by information from secondary sources. The report is divided into six sections. First, the spreads are analysed to compare the ranges of the different variables. Next, the market segment indices and product users of Vans are identified and compared with the demographics of the two competitors. We chose the variables Age Combined with Gender, Age, Household Income, Region, and Race to compare between the brands, as data shows that these variables are most important for segmenting the market. This report closes with suitable Mass Marketing and Niche Marketing strategies for Vans.

Combined, these sections provide powerful insight into the range of purchasing habits, likelihood of purchase for each demographic, and strategies for mass and niche marketing. Vans should use this data when creating its marketing plan in order to reach its target market. Please keep in mind that all conclusions are made with limited data from the MRI+ database.

Figure 2: Vans. Retrieved by Del tha Funkee Homosapian.

Figure 3: Keds. Retrieved from Keds by Keds Store.

Figure 4: Converse. Retrieved from Wear the Original One by ConverseHolic.

History

The footwear manufacturing industry includes many sub-industries such as athletic, casual, and dress shoes. The demand in this industry is primarily driven by fashion trends and demographics (Hoover's Inc., 2013a). The major competitive factors in this industry are price and quality, as well as product innovations (Panteva, 2013). The success of shoe brands depends on their ability to create attractive shoe designs with target marketing strategies for each demographic.

The shoe brands Vans, Keds, and Converse, which will be compared in this report, offer a hybrid of fashion and athletic shoes. They round out their product mix with a variety of apparel and accessories to maximize revenue. By offering different shoe designs and related products, these brands appeal to multiple target markets.

Founded in 1966, Vans began with a focus on sports shoes, specifically skateboarding slip-ons. "Skateboarders who like Vans' rugged make-up and sticky sole are seen sporting Vans all over Southern California in the early 1970s" (Vans). Vans greatly expanded its product offering in the early 1980's to the point of having too many products. In 1983, Vans went bankrupt as a direct result of its wide range of products which drained company resources. The company recovered from bankruptcy, but continued expanding into different types of sporting goods, including snowboard and surf apparel (Vans). Vans reaches potential customers through the sponsorship of sporting events such as skateboard, surf, snow, BMX, and Moto X competitions (Company Overview of VANS, Inc. 2013). In addition, Vans now has an online retail website and mass advertising campaigns. Over time, Vans has become a casual fashion brand outside the action sports world.

Converse also began as sport shoes, but for basketball professionals, in 1908. Converse is now owned by Nike, one of the biggest players in the footwear industry. The company has become a fashion brand and a big competitor of Vans (Hoover's Inc., 2013b).

Keds was founded in 1916, and the shoes were immediately called "sneakers" because their rubber sole made them relatively quiet to walk in. Keds has since expanded its assortment to include more fashionable offerings, and was acquired by Wolverine Worldwide in 2012 (Hoover's Inc., 2013c).

Highest Spreads

The tables below show the highest spreads for the different variables for each brand. The spread indicates the range in each variable; a high spread means that the buying habits or purchasing power ranges greatly between demographic groups. To calculate the spread, the index of the demographic least likely to purchase the brand is subtracted from the index of the demographic most likely to purchase the brand. This reveals how polarized demographic groups are in their intention to purchase the brand's products.

Vans	Spread
Age	288
Census: Region	202
Race	147
Marital Status	119
Household Income	108
County Size	106
Child age	100
Educ	78
Occupation	75
Home value	43
Gender	4

Keds	Spread
Age	284
Gender	128
Marital Status	127
Home value	107
Household Income	102
Child age	89
County Size	81
Race	77
Census: Region	76
Occupation	51
Educ	46

Converse	Spread
Race	197
Age	167
Marital Status	111
Child age	107
Census: Region	82
Household Income	78
Educ	76
County Size	62
Occupation	55
Home value	29
Gender	11

The variable "age" has the highest spread for Vans (288) and for Keds (284), and the second highest for Converse (167). This means that all three brands already have a differentiating marketing strategy for this variable. The brands appeal to a specific group, because a high spread indicates that some age groups are very likely to buy the brand while other age groups are very unlikely to buy the brand. To understand if the brands compete for the same age group it is useful to look at the different indices for each age group for each brand.The highest indices for the different age groups are 300 for the age group 18-24 for Vans, 186 for the same age group for Converse, and 300 for the age group 65+ for Keds. This shows that Vans and Converse are competing for the same age demographics, while Keds chooses a different target market for age.

All three brands also share the variable "marital status" among the highest fifth spreads. Because older people are more likely to be married, the high spread for marital status could be partially a result of age. The spreads are not as large for marital status as for age, however. They all have relatively similar spreads of 119 (Vans), 127 (Keds) and 111 (Converse).

The second highest spread for Vans is "Census: Region" at 202. Converse has a spread of 82 on this variable, while Keds has a lower spread of 76. That shows that the purchasing behavior for Vans varies greatly over the different regions in the United States, while it does not vary as greatly for Keds and Converse.

Another high spread variable of Vans is “Race,” with a spread of 147. Race is the highest-spread variable for Converse at 197, but is only 77 for Keds. This is a clue that the competition between Vans and Converse in these demographics is higher, because if you look in the indices both brands has the highest index in the demographic “race: other” with 219 (Vans) and 260 (Converse). This lead to the high variation in this variable for Converse and Vans.

The last variable for Vans is “Household Income,” with a spread of 108. Keds also has a high spread in this variable with 102, while Converse is only at 78.

Keds is the only brand with a high spread of gender at 128, which shows that the brand concentrates more on one gender. The other brands can be labeled unisex. Vans and Converse have very low spreads for this variable with 4 (Vans) and 11 (Converse).

Overall, the tables show that Vans has no variable among the highest spreads that stands out of the three brands. Every one of the variables with the highest spreads is shared with one of the other brands, which indicates that Vans has high competition among its highest demographics. Vans tends to target the same demographic groups as at least one of its competitors.

Market Segment Indices

The graph below depicts the variables which have the highest indices for Vans. The index for a segment represents the likelihood that a person in that demographic will buy the product relative to other demographic segments. An index over 100 indicates that a person in that segment is more likely than the average person to purchase the product, while an index under 100 indicates that the person is less likely.

We chose to compare the variables Age and Gender, Age, Household Income, Region, and Race. This is because, as you can see below, the segments with the highest indices for Vans are in these variable groups. Also, these variables have high spreads.

Highest Indices for Vans	Vans	Keds	Converse
Age: 18-24	300	69	186
Gender and Age: Men, 18-34	206	11	162
Household Income: $40,000-$49,999	164	87	118
Census Region: West	237	59	137
Race: Other	219	37	260

People in the age group 18-24 are 200% more likely to purchase Vans compared to the average person. Vans has the highest index of the three brands. While Converse's index for this age group is also the highest out of all other age groups, Vans is much more strongly skewed towards a younger audience. Keds, on the other hand, has an index of 69 for the age group 18-24, which means this age group is 31% less likely to buy Keds compared to the average person. Keds has the highest index for ages 65 and up at 300.

Although the gender index for Vans is slightly higher for women than for men, with men at an index of 98 and women at 102, the data tells a different story when age and gender are combined. Although women may be slightly more likely to buy Vans than men, the age and gender combination with the highest index is men ages 18-34. The index for men ages 18-34 is 206, which indicates that this segment is 106% more likely than the average person to purchase Vans. Keds has an extremely low index for this segment, but Converse and Vans have high indices.

The household income segment of $40,000 to $49,999 has the highest index for Vans. This income group is slightly below the median household income in 2012, which was $51,371 (U.S. Census Bureau). The index for this segment is 164, and members of this segment are 64% more likely to buy Vans than the average person. This segment has an index of only 87 for Keds, but has an index of 118 for Converse.

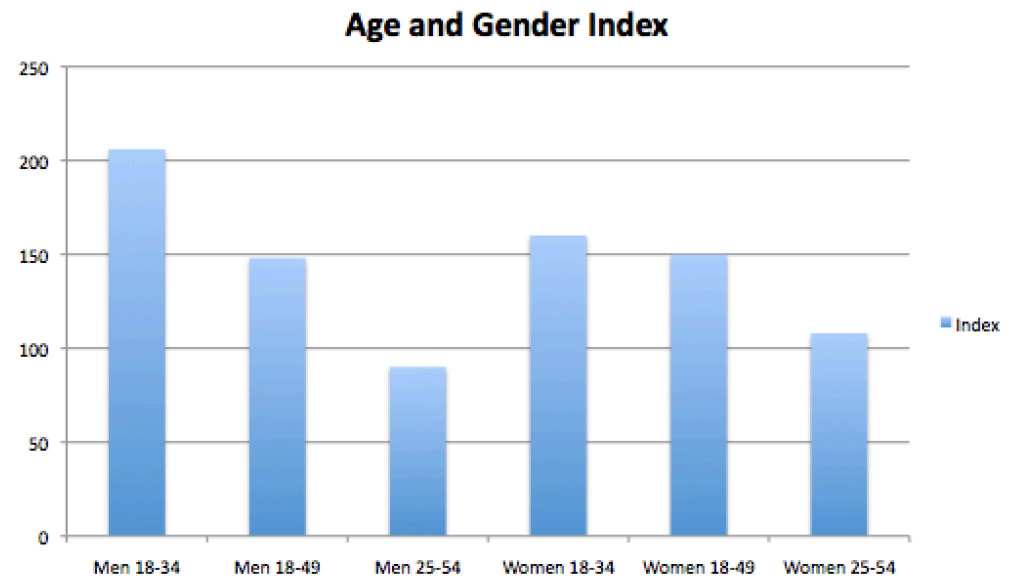
The Western region of the United States has the highest index for Vans at 237. The West also has the highest index for Converse at 137. However, the Keds index for the West is 59. Keds are more popular among the Northeastern region, where Keds has an index of 135.

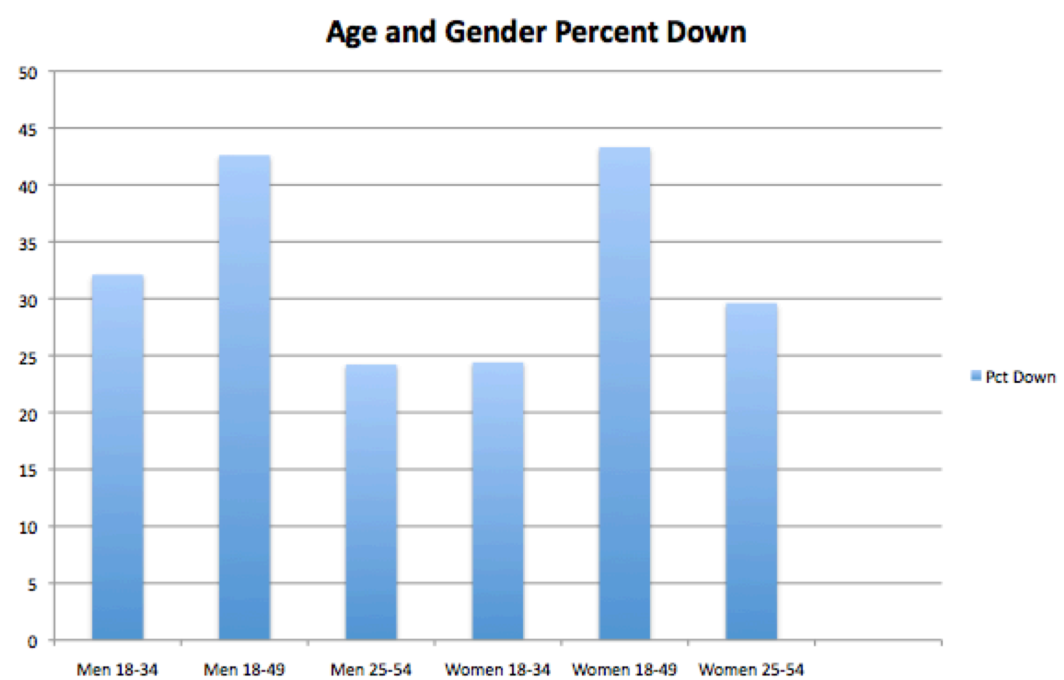
The race “other” is the segment with the highest index for Vans. Members of races other than White, Black, American Indian, or Alaska Native are 119% more likely to purchase Vans. This is also the segment with the highest index for Converse, but is the segment with the lowest index for Keds.

It seems that many segments are very similar for Vans and Converse, but Vans tends to havemore extreme indices. This means that Vans has a more focused market. High-index segments for Vans and Converse tend to be low-index segments for Keds, which means Keds has lower competition with Converse and Vans than Converse and Vans do with each other.

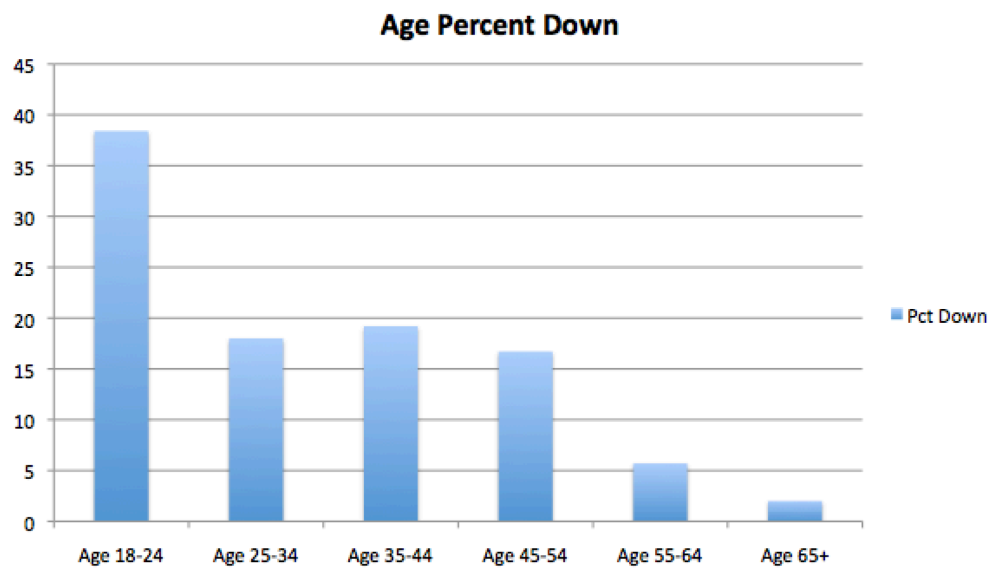
Vans Product Users

The gender variable alone suggests that Vans are more popular among women. Women have an index of 102 and a percent down of 52.6%, and men have an index of 98 and a percent down of 52.6%. "Percent down" represents the percentage of total product users in each specific demographic group. This means that 52.6% of Vans purchasers are women and that women are 2% more likely than the average to buy Vans.

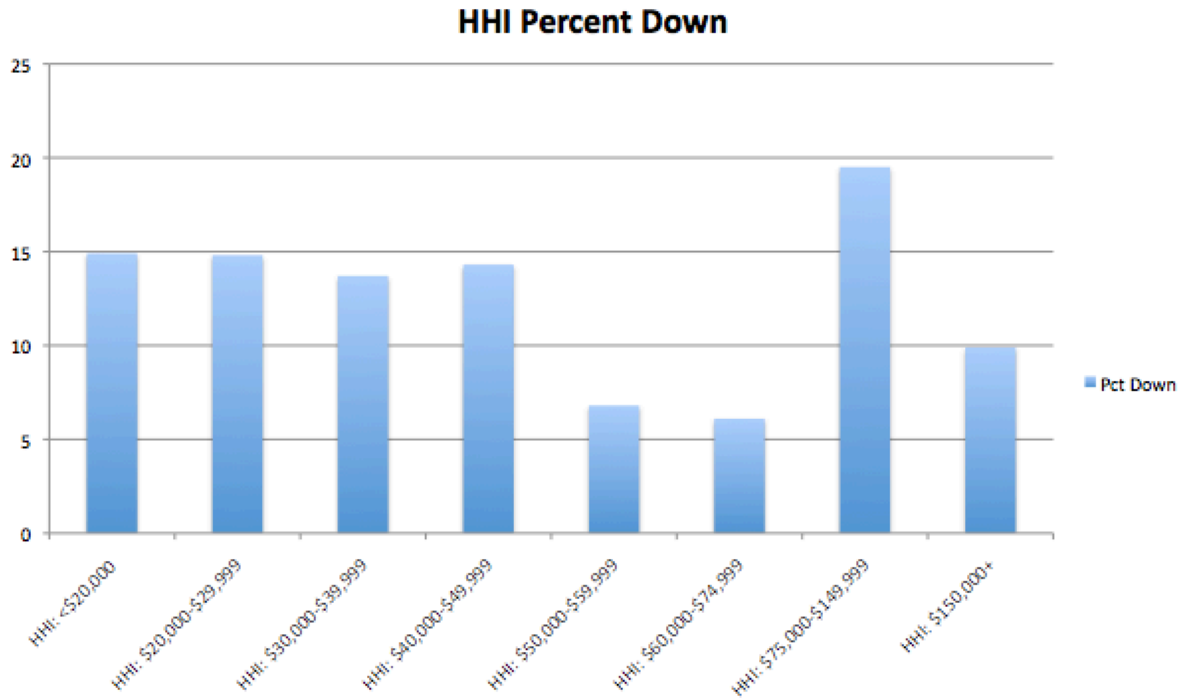




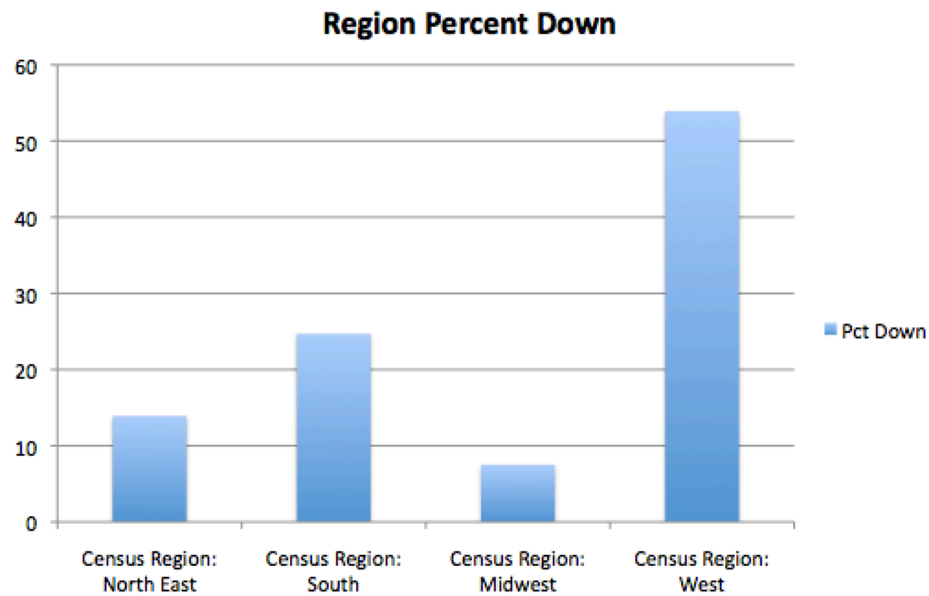
However, as you can see above, when age and gender are combined, we come to a different conclusion. The two segments with the highest indices are men ages 18-34 and women ages 18-34. The index for men in this age range is 206, while it is only 160 for women. And, the percent down for men 18-34 is 32.1, while it is only 24.4 for women 18-34. So, while Vans are more popular among women in general, the age-gender segment with the highest index and percent down is men ages 18-34. This means the market for men is more highly skewed towards young men than the market for women is towards young women.



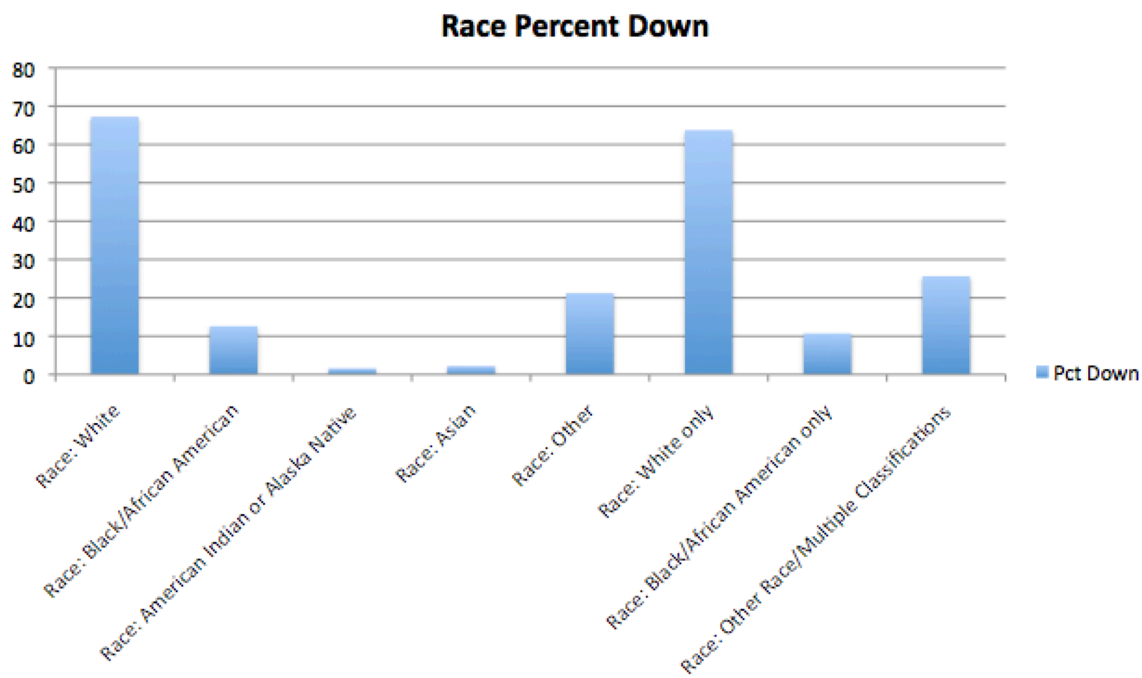
People in the age range 18-24 make up 38.4% of all Vans users and are 200% more likely than the average person to buy Vans. The age brackets 25-34, 35-44, and 45-54 are almost equal in their interest in buying Vans. However, there is a dramatic drop off in interest after age 54.



Household income shows an interesting pattern. Income levels under $20,000, $20,000-$30,000, $30,000 to $40,000, and $40,000 up to $50,000 a year make up similar portions of the Vans market, around 14-15%. However, income levels from $50,000 to $60,000 and $60,000 to $75,000 drop off to make up only 6-7% of Vans users. But, the highest portion of Vans users are in the income range $75,000 to $150,000. Household income levels above $150,000 only make up about 10% of the market. This shows that low income levels and high income levels make up a bigger portion of Vans buyers than mid-range income levels and extreme high income levels.

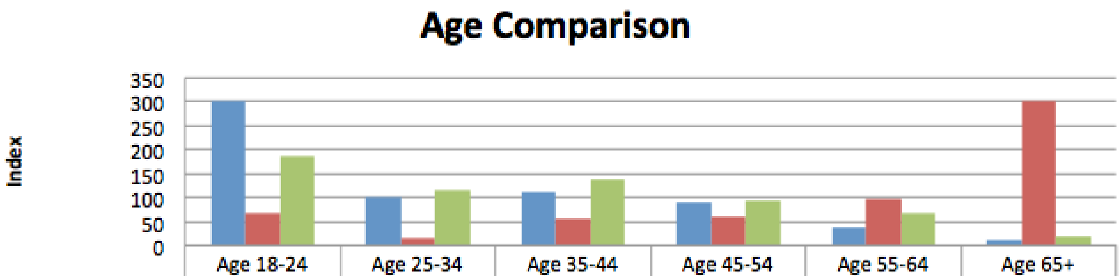


Vans are much more popular in the Western Region of the United States than the South, Northeast, or Midwest. People in the West make up 53.9% of the Vans market and are 137% more likely than the average person to buy Vans.



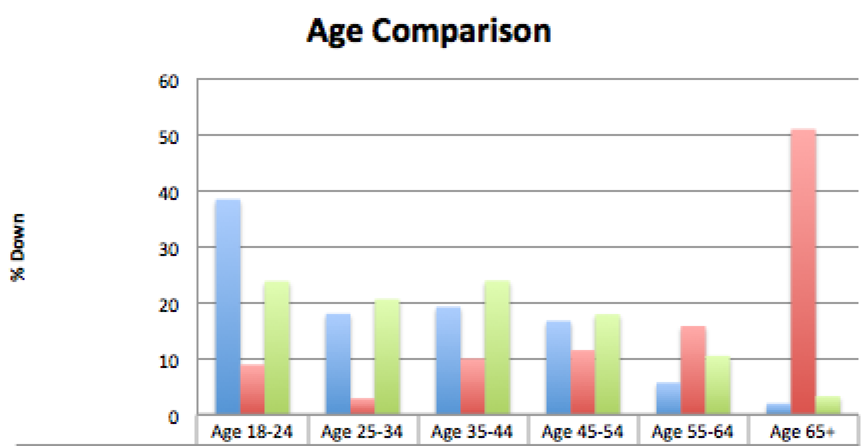
The races that make up the highest portions of Vans users are white and "other." "Other" races has the highest index, and people in this group are 119% more likely than the average person to purchase Vans. However, the race "white" has the highest percent down and makes up the largest portion of Vans buyers

Vans, Keds, and Converse Demographic Comparison: Age



	Age 18-24	Age 25-34	Age 35-44	Age 45-54	Age 55-64	Age 65+
Vans Index	300	100	111	88	36	12
Keds Index	69	16	58	61	99	300
Converse Index	186	114	139	94	66	19

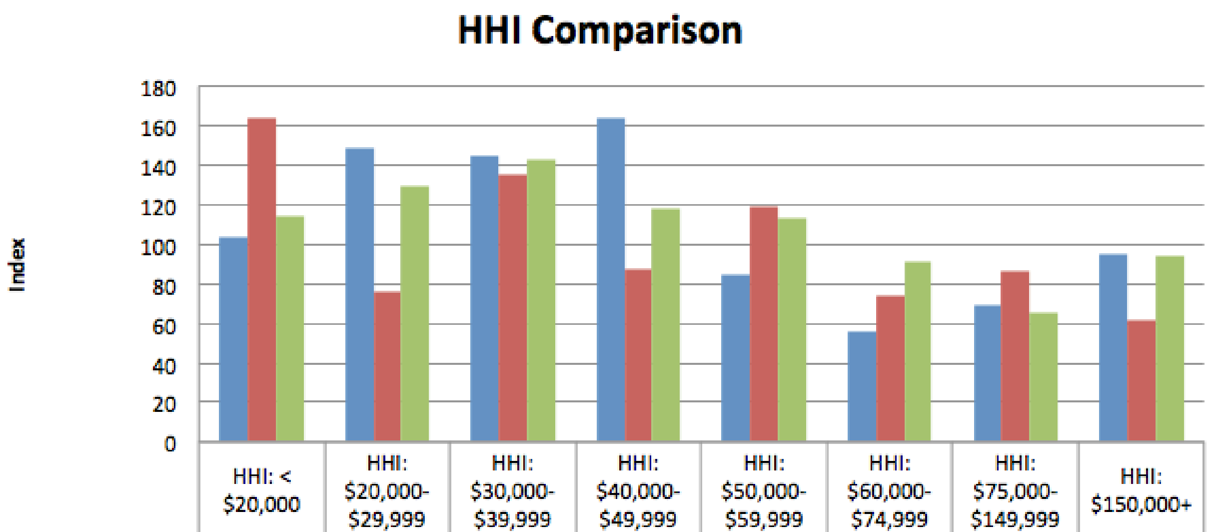
This graph compares indices for the variable age between the three brands. Vans and Converse both have their highest indices in the age group 18-24, with Vans at 300 and Converse at 186. Keds has a low index for this segment at 69. Vans is more highly skewed towards a younger demographic; people in the age range 18-24 are 200% more likely than the average person to buy Vans. Converse is skewed this direction as well, but not as strongly. Keds, on the other hand, is highly skewed toward the age range 65 and older.



	Age 18-24	Age 25-34	Age 35-44	Age 45-54	Age 55-64	Age 65+
Vans % Down	38.4	18	19.2	16.7	5.7	2
Ked % Down	8.9	2.9	10	11.5	15.8	50.9
Converse % Down	23.8	20.6	23.9	17.9	10.5	3.3

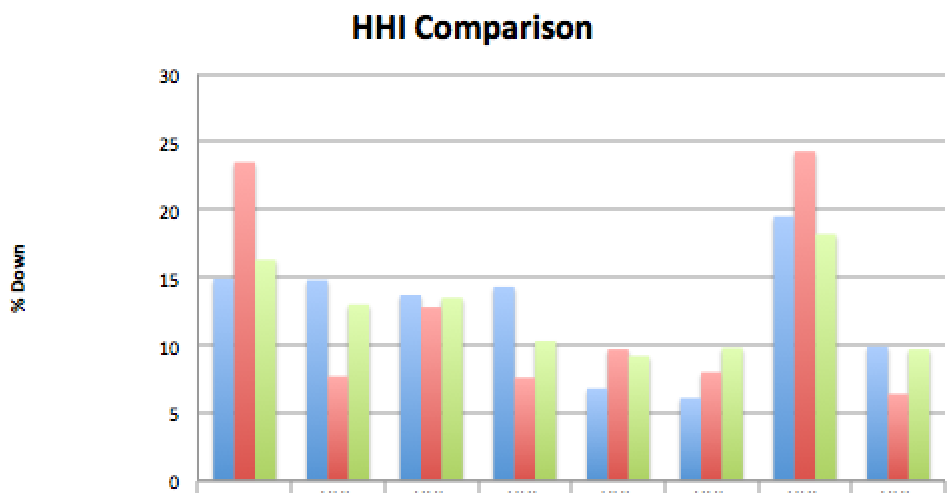
The graph above compares the percent down for the variable age between the three brands. For Vans, the highest percent down is for ages 18-24 at 38.4. This age group makes up 38.4% of Vans users. While Converse has the highest index for ages 18-24, their highest percent down, at 23.9, is in the age group 35-44. This is because the age group 35-44 is much larger than the age group 18-24. Keds has the highest percent down for ages 65+, and 50.9% of Keds buyers are in this age group.

Vans, Keds, and Converse Demographic Comparison: Household Income



	HHI: < $20,000	HHI: $20,000-$29,999	HHI: $30,000-$39,999	HHI: $40,000-$49,999	HHI: $50,000-$59,999	HHI: $60,000-$74,999	HHI: $75,000-$149,999	HHI: $150,000+
Vans Index	104	148	145	164	84	56	69	95
Keds Index	164	76	135	87	119	74	86	62
Converse Index	114	129	143	118	113	91	65	94

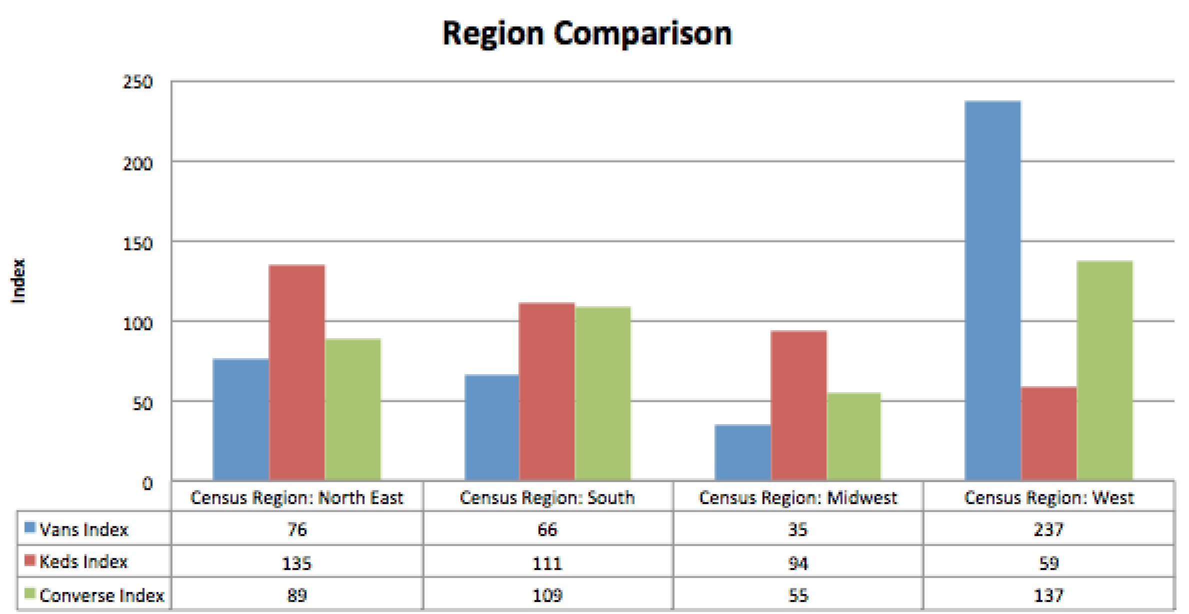
In our second graph we compare household incomes (HHI) for consumers of Vans, Keds and Converse. We have eight different income ranges that start from under $20,000 and go to $150,000 and above. For the groups “HHI: $30,000-$39,999” and “HHI: < 20,000,” all of the brands have an index over 100. This means people in these demographics are more likely to buy Vans, Keds, or Converse than the average person. Consumers with household incomes between $60,000 and $150,000 have an index below 100 for each brand. This indicates that these consumers are less likely than the average person to purchase Vans, Keds, or Converse. So, a consumer who falls in the middle range of household incomes is more likely to purchase these shoe brands, especially Vans or Converse which have a higher index than Keds.



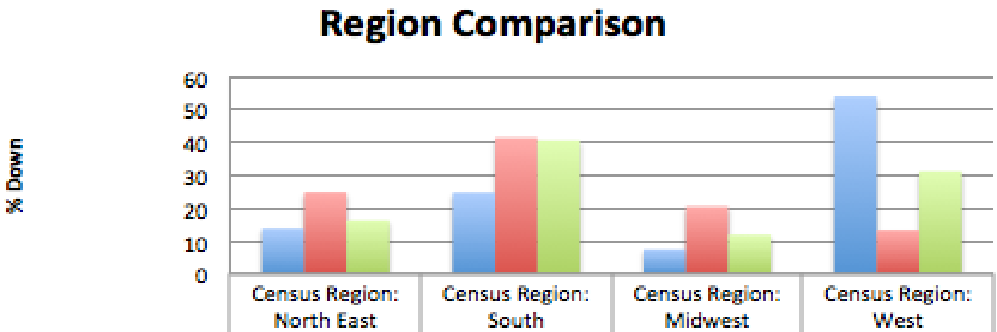
	HHI: < $20,000	HHI: $20,000-$29,999	HHI: $30,000-$39,999	HHI: $40,000-$49,999	HHI: $50,000-$59,999	HHI: $60,000-$74,999	HHI: $75,000-$149,999	HHI: $150,000 +
Vans % Down	14.9	14.8	13.7	14.3	6.8	6.1	19.5	9.9
Ked % Down	23.5	7.7	12.8	7.6	9.7	8	24.3	6.4
Converse % Down	16.3	13	13.5	10.3	9.2	9.8	18.2	9.7

The household income demographic that makes up the largest portion of Vans users is $75,000-$149,999 with a percent down of 19.5%. Keds and Converse have similar statistics, with 24.3% of Keds consumers and 18.2% of Converse consumers in the HHI range of $75,000-$149,999. Despite the fact that this income range has a low index, it still represents a large portion of purchasers. This is because this income range makes up the largest portion of the overall market in the U.S. compared to other income ranges.

Vans, Keds, and Converse Demographic Comparison: Region



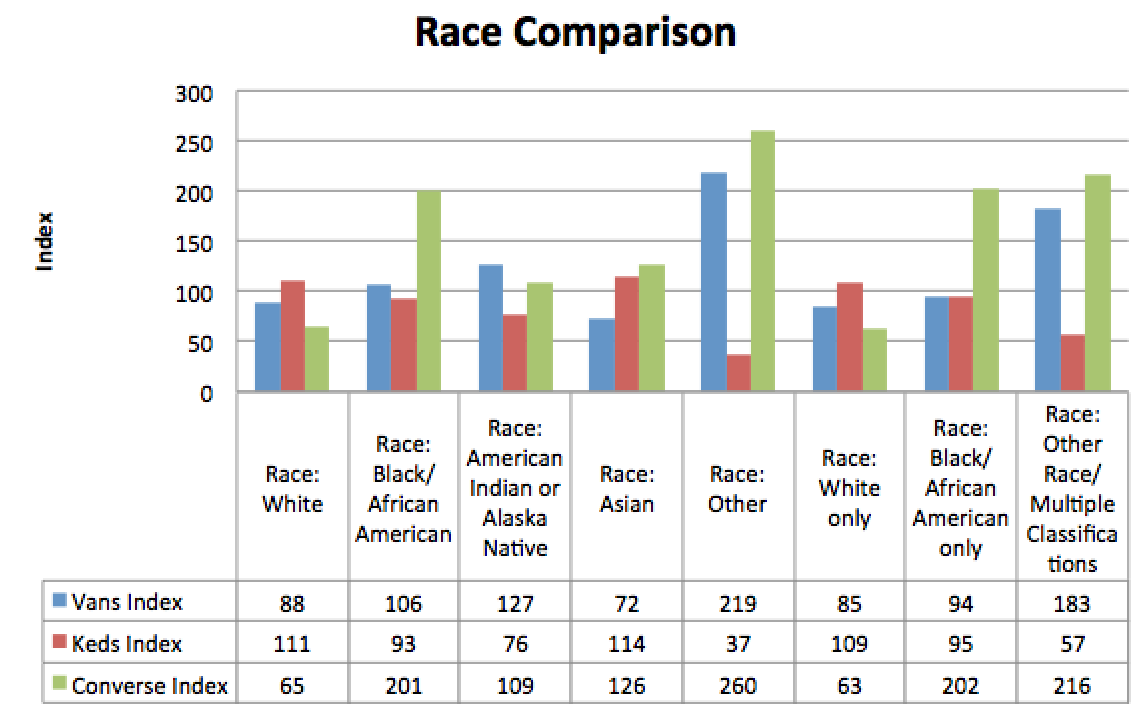
Our third graph shows a comparison of the different brands within different regions of the United States. The four segments are Northeast, South, Midwest, and West. Vans has the highest index of 237, which indicates that consumers in the West are 137% more likely to purchase their product. As we stated, there is a high concentration of Vans stores in Southern California and Vans caught on as a fashion trend on the West coast shortly after their introduction to the market. (Vans). This explains the high index in this region. Keds' strongest regions are Northeast and South. Converse, on the other hand, has low indices for the Midwest and Northeast. Converse also has a high index for the western region, and consumers there are 37% more likely than the average person to purchase Vans.



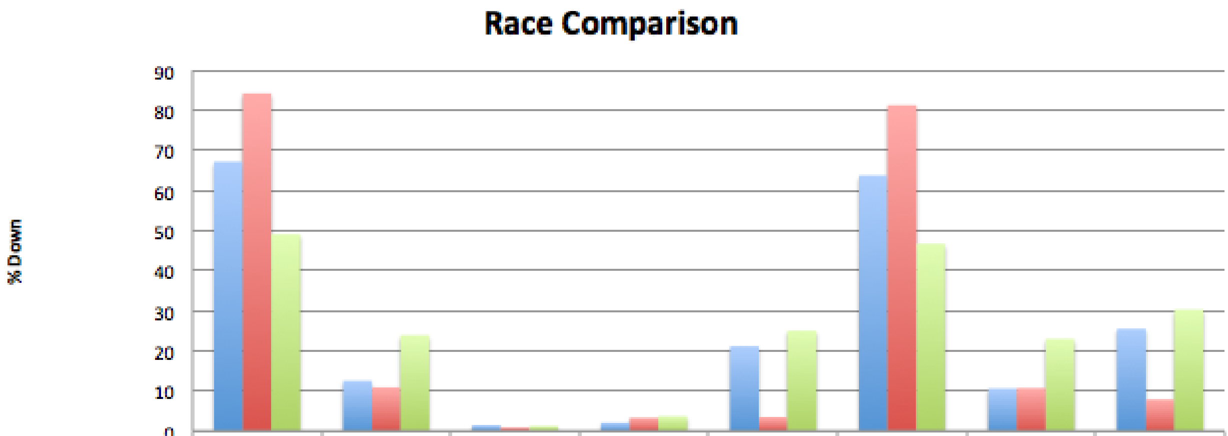
	Census Region: North East	Census Region: South	Census Region: Midwest	Census Region: West
Vans % Down	13.9	24.7	7.5	53.9
Ked % Down	24.8	41.4	20.5	13.3
Converse % Down	16.3	40.6	11.9	31.2

People who live in the Western region of the U.S. make up the largest portion of Vans users at 53.9%. People in the Southern region of the U.S. make up the largest portion of Converse purchasers at 40.6%. Keds are also dominated by Southern buyers, with a percent down of 41.4 in that region.

Vans, Keds, and Converse Demographic Comparison: Race



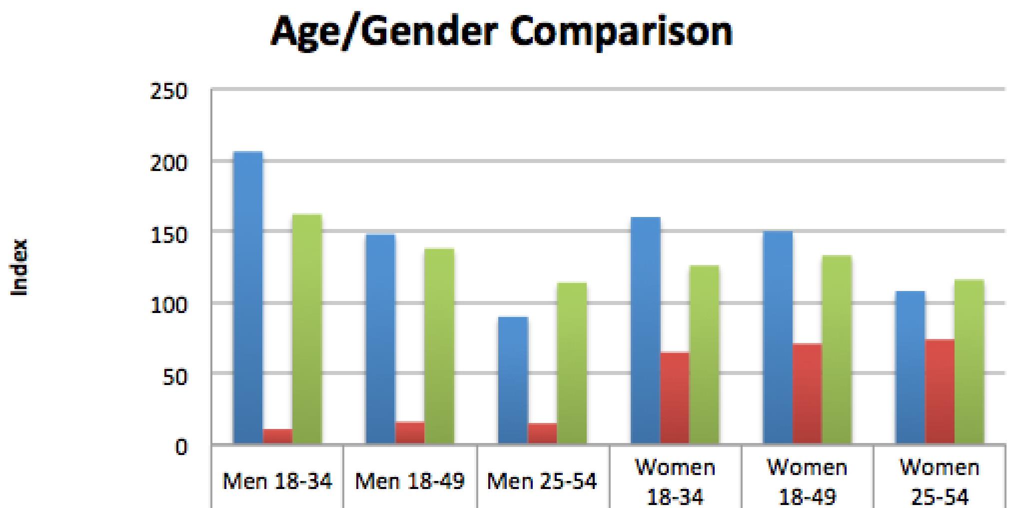
Our fourth comparison is of race. This graph displays the relative purchasing intentions of each race segment. For Converse, we see that in the groups of Black/African American, Other, Black African American only, and Other Race/Multiple Classification, there is an index over 200. Keds, on the other hand, has an index under 100 for these races. Keds has indices over 100 for White, Asian, and White Only, indicating that people in these racial groups are most likely to purchase Keds.



	Race: White	Race: Black/ African American	Race: American Indian or Alaska Native	Race: Asian	Race: Other	Race: White only	Race: Black/ African American only	Race: Other Race/Multiple Classifications
Vans % Down	67.2	12.6	1.6	2.2	21.2	63.7	10.7	25.6
Ked % Down	84.2	11	1	3.4	3.6	81.3	10.8	7.9
Converse % Down	49.1	23.9	1.4	3.8	25.1	46.7	23	30.3

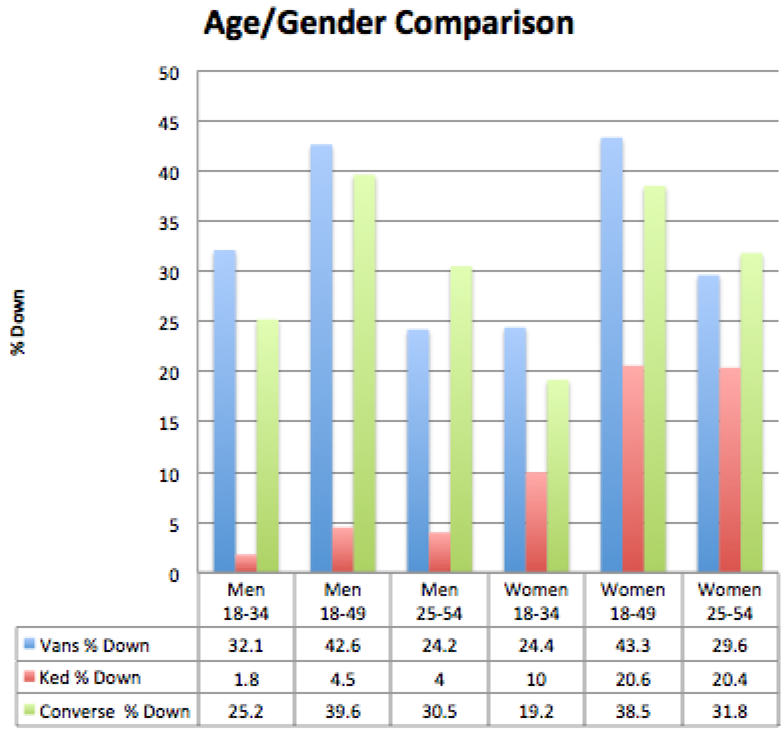
Vans consumers are mostly white, and white people make up 67.2% of all Vans users. The same pattern is shown for the other two brands, with Keds at 84.2% and Converse at 49.1% of their consumers being white.

Vans, Keds, and Converse Demographic Comparison: Age/Gender



	Men 18-34	Men 18-49	Men 25-54	Women 18-34	Women 18-49	Women 25-54
Vans Index	206	148	90	160	150	108
Keds Index	11	16	15	65	71	74
Converse Index	162	138	114	126	133	116

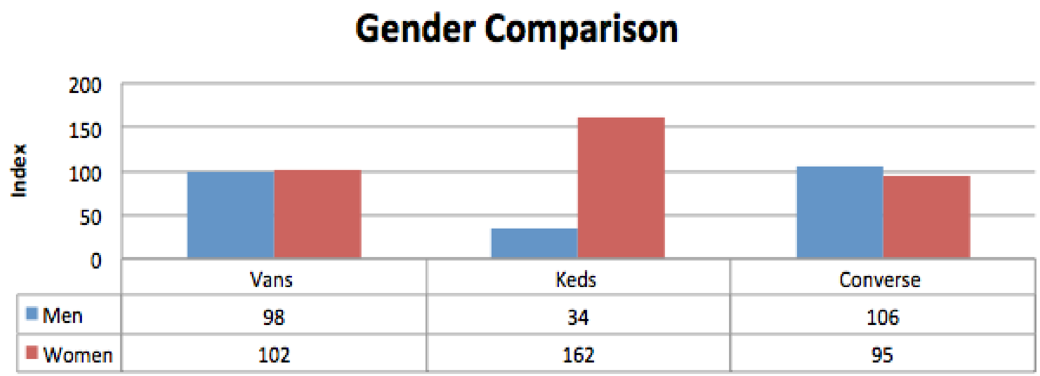
Our fifth comparison is the combined variables of age and gender. The highest index for any brand and age-gender group is 206. Men in the age group 18-34 are 106% more likely than the average person to purchase Vans. The lowest index is 11. Men age 18-34 are 89% less likely than the average person to purchase Keds. This indicates that Keds and Converse do not compete for the same age-gender targets. Converse has less variation between different age-gender groups, indicating that it appeals more equally to different age groups.



The graph above compares the percentages down for each age-gender segment of the three brands. Women 18-49 have buy Vans more than men in this age range. The same is true for Keds, with 20.6% of Keds users in the group women 18-49. For Converse, Men 18-49 have bought their product more than any other age/gender group.

Vans, Keds, and Converse Demographic Comparison: Gender

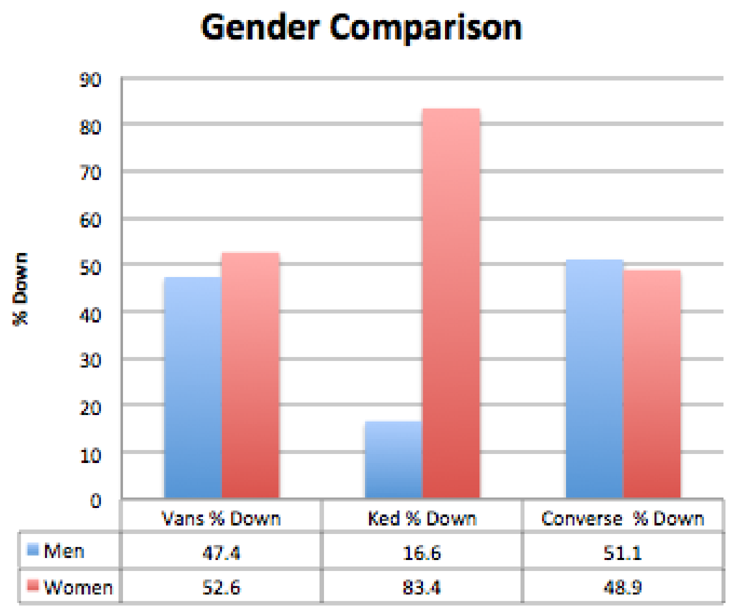
While gender was not one of our top-five variables, we decided to include it in our analysis because it shows an interesting difference between Keds and the other two brands.



The graph shows the three different shoe companies segmented by gender. For Vans, men have an index of 98, while the women have an index of 102. This means that men are 2% less likely to purchase Vans than the average person, while women are 2% more likely.

For Keds, men have a low index of 34 while women have a high index of 162. This implies that men are 66% less likely to purchase shoes from Keds than the average person. Women, on the other hand, are 62% more likely to purchase Keds than the average person.

Lastly, for Converse, men have an index of 106 while women have an index of 95. This indicates that men are 6% more likely to purchase while women are 5% less likely to purchase a pair of shoes from Converse. Both Vans and Converse have a small gap between male and female purchase intentions. However, for Keds, there is a large gap between men and women.



Out of all the people who bought Vans, 52.6% were women. For Keds, 83.4% were women. On the other hand, Converse users are slightly skewed toward a male demographic, as men have a percent down of 51.1 for this brand.

Mass Marketing Demographics

The goal of mass marketing is to appeal to the largest possible portion of the market, while still being targeted enough to cost-effectively attract customers. In order to successfully appeal to a wide audience, mass marketing should target large segments with a medium to high index. Mass marketing target audiences are more likely than the average person to purchase the product, but do not need to have as high an index as smaller, more targeted groups. For mass marketing, Vans should focus on the demographics age and region. They should market to people in the age group 18-24, and in the western region of the United States.

The table below shows the percent down and index for the age group 18-24 compared to other age groups. The percent down is 38.4, so adults ages 18-24 make up 38.4% of Vans users. This age group has a higher index than any other age group at 300, meaning users in that age group are 200% more likely than any other group to use Vans.

	Percent Down	Index
Age 18-24	38.4	300
Age 25-34	18	100
Age 35-44	19.2	111
Age 45-54	16.7	88
Age 55-64	5.7	36
Age 65+	2	12
Age 18-34	56.4	183

You can see that the age group 18-34 has a higher percent down because it includes a wider age range than 18-24. This was also considered as an option for mass marketing. However, in advertising to a group that makes up an additional 18% of Vans users, Vans would sacrifice 117 index points. The age group 25-34 only has an index of 100, and so they as likely to buy Vans as the average person. Vans should stay focused on ages 18-24 in order to most efficiently spend its marketing budget while still reaching a wide audience that makes up about 30% of the total U.S. population.

Below is a table that compares the percent down and index of each region of the United States. The Western region makes up 53.9% of Vans users, and is 137% more likely to use Vans. In addition, the West makes up about 23% of the U.S. population, making it a sizeable market for mass marketing.

	Percent Down	Index
West	53.9	237
North East	13.9	76
South	24.7	66
Midwest	7.5	35

Below is a map of the U.S. illustrating Vans store locations (Map Muse). Each location is marked with a black box.

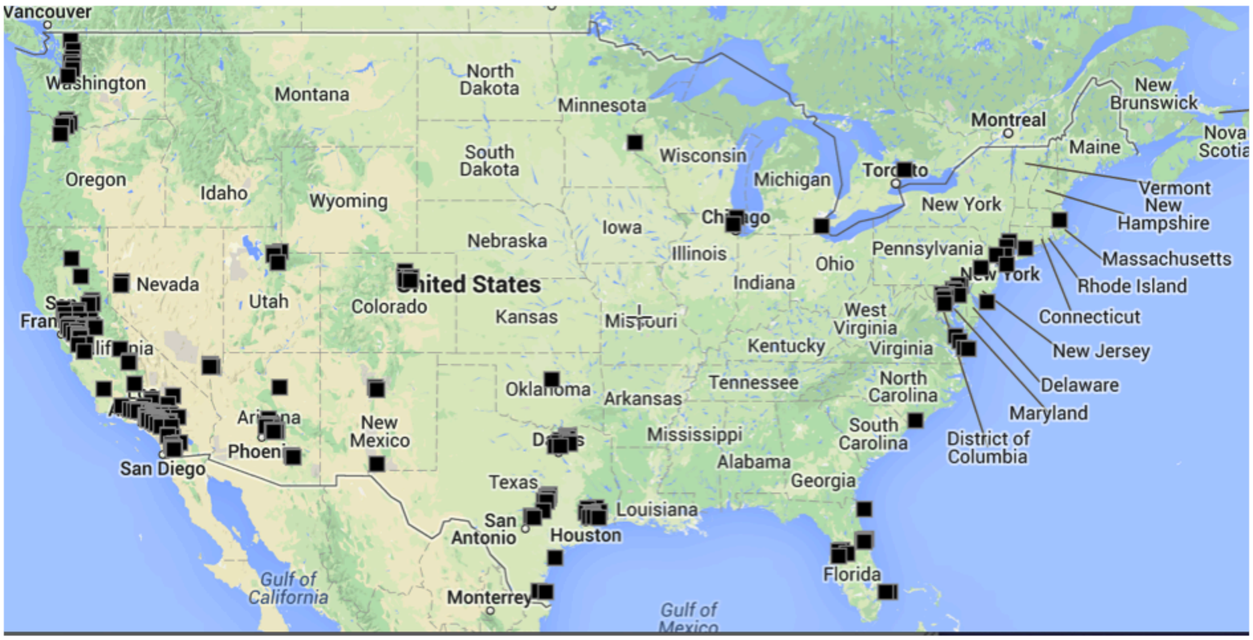


Figure 5: Vans Map. Retrieved from Vans Location Finder by Map Muse.

There is a high concentration of stores on the West coast, specifically Southern California. It makes sense for Vans to advertise its products in an area where consumers can easily purchase Vans. It also makes sense that this region of the U.S. would have a high index.

Niche Marketing Demographics

Demographic	% Down	Index
Race: Other	21.2	219
Race: Other race/Multiple Classificiations	25.6	183
Occupation: Sales and Office Occupations	19.7	142

A great segment for niche marketing is people in the demographic "Race: Other." This demographic has a high index of 219, which means that people in this segment are 119% more likely to buy Vans than the average person. In addition, the percent down of the demographic "Race: Other" is 21.2. This indicates that there is potential to increase the number of Vans buyers in this segment with a niche marketing strategy. This segment should be combined with the segment "Race: Other/Multiple Classifications" in order to expand the target audience of niche advertising. These segments are closely related and can be targeted together, as their percents down and indices are very similar. The demographic "Race: Other Race/Multiple Classifications" also shows a high index of 183 and relatively small percent down at 25.6%.

Another suitable segment for a niche marketing strategy is the segment of people who work in sales and office occupations. This segment is 42% more likely to buy Vans than the average person. It also has a relatively small percent down of 19.7%.

Mass Marketing Media Vehicles

The five media vehicles that we chose for mass marketing are Radio, Magazines, Television, Websites, and Cable. For mass marketing, our group focused on vehicles that capture a large percentage of Vans users and that have higher than average indices. This allows Vans to capture a large but still somewhat targeted audience, getting the word out to a lot of potential customers.

Media Channels	% Down	Index
Websites: Yahoo! Mail	30.5	107
Websites: Gmail.com	29.8	118
Websites: Maps.google.com (Google Maps)	25.7	134
Websites: Pandora.com	20	139
Websites: iTunes.com	18.3	137

For our first mass media vehicle, Websites, we focused on Yahoo! Mail, Gmail.com, Maps.google.com (Google Maps), Pandora.com, and iTunes.com. We chose Yahoo! Mail because it has an index of 107, indicating that Vans users are slightly more likely than the average person to use this website. In addition, 30.5% of Vans users use Yahoo! Mail. We chose Gmail.com because it has an index of 118 and 29.8% of Vans users. The third company we chose is Maps.google.com (Google Maps) because it has an index of 134 and 25.7% of Vans users. Next we chose Pandora.com with an index of 139 and 20% of Vans users. And lastly we chose iTunes.com since it has an index of 137 and 18.3% of Vans users.

Media Channels	% Down	Index
TV Show Types: Football Specials-Professional	20.1	105
TV Show Types: Football Pro Pregame Shows	13.3	107
TV Show Types: Football Bowl Games-Specials	13	119
TV Show Types: Baseball Specials	12.7	101
TV Show Types: Basketball Specials-Professional	10.8	144

For our next mass media vehicle, Television, we focused on Football Specials-Professional, Football Pro Pregame Shows, Football Bowl Games-Specials, Baseball Specials, and Basketball Specials-Professional. We chose Football Specials-Professional because it has an index of 105 and 20.1% of Vans users. We chose Football Pro Pregame Shows since it has an index of 107 and 13.3% of Vans users. Third we chose Football Bowl Games-Specials with an index of 119 and 13% of Vans users. Next we chose Baseball specials with an index of 101 and 12.7% of Vans users. Lastly we chose Basketball Specials-Professional with an index of 144 and 10.8% of Vans users. These mass media vehicles are in line with the Vans brand identity.

Media Channels	% Down	Index
Radio: Weekend 10AM-3PM	45.4	107
Radio: Weekday 10AM-3PM	40.3	108
Radio: Weekend 3PM-7PM	39.4	125
Radio: Weekend 7PM-Midnight	26.6	160
Radio: Weekday 7PM-Midnight	23.5	151

For our third mass media vehicle, Radio, we chose Weekend 10am-3pm, Weekday 10am-3pm, Weekend 3pm-7pm, Weekend 7pm-Midnight, and Weekday 7pm-Midnight. First we chose Weekend 10am-3pm because it has an index of 107 and 45.4% of Vans users. We also chose Weekday 10am-3pm with an index of 108 and 40.3% of Vans users. Next we chose Weekend 3pm-7pm with an index of 125 and 39.4% of Vans users. We also chose Weekend 7pm-Midnight with an index of 160 and 26.6% of Vans users. Lastly, we chose Weekday 7pm-Midnight with an index of 151 and 23.5% of Vans users.

Media Channels	% Down	Index
Magazines: People	23.5	129
Magazines: Cosmopolitan	11.1	157
Magazines: The Costco Connection	9.8	117
Magazines: ESPN The Magazine	9.7	158
Magazines: Rolling Stone	8.6	173

For our fourth mass media vehicle, Magazines, we chose People, Cosmopolitan, The Costco Connection, ESPN The Magazine, and Rolling Stone. We chose People since it has an index of 129 and 23.5% of Vans users. We also chose Cosmopolitan since it has an index of 157 and 11.1% of Vans users. Next we chose The Costco Connection with an index of 117 and 9.8% of Vans users. We then chose ESPN The Magazine with an index of 158 and 9.7% of Vans users. Lastly we chose Rolling Stone with an index of 173 and 8.6% of Vans users. All of these publications have a relatively high percentage of Vans users, and have readers that are slightly more likely than the average person to purchase Vans.

Media Channels	% Down	Index
Cable: FX	25.6	139
Cable: MTV	24.9	175
Cable: HBO	22.8	125
Cable: The Disney Channel	21.2	127
Cable: E!	20.5	150

For the final mass media vehicle that we chose, Cable, we selected FX, MTV, HBO, The Disney Channel, and E!. We chose FX because it has an index of 139 and 25.6% of Vans users. We also chose MTV since it has an index of 175 and 24.9% of Vans users. Next we chose HBO with an index of 125 and 22.8% of Vans users. We then selected The Disney Channel with an index of 127 and 21.2% of Vans users. Finally we chose E! since it has an index of 150 and 20.5% of Vans users. By targeting these media channels for advertising, Vans can reach a large group of current and potential customers who are likely to buy its products.

Niche Marketing Media Vehicles

The five media vehicles that we chose for niche marketing are Radio, Television, Magazines, Websites, and Cable. Although identical to the vehicles for mass marketing, for niche marketing we focused on a small percent of Vans users with high indices. This allows Vans to focus in on smaller groups of consumers that are extremely likely to purchase Vans.

Media Channels	% Down	Index
Websites: MTV.com	5.7	334
Websites: VEVO	4.5	233
Websites: #Fandango	4.3	224
Websites: MSN Movies	2	291
Websites: iVillage.com	0.7	271

For our first niche media vehicle, Websites, we selected MTV.com, VEVO, #Fandango, MSN Movies, and iVillage.com. We chose MTV.com since it has a high index of 334 with only 5.7% of Vans users. Next we selected VEVO with an index of 233 and 4.5% of Vans users. We then chose #Fandango since it has an index of 224 and 4.3% of Vans users. We also chose MSN Movies with an index of 291 and 2% of Vans users. Lastly we chose iVillage.com with an index of 224 and only 0.7% of users. These websites are less popular than the websites chosen for mass marketing, and have smaller percentage down. However, they tend to have larger indices, indicating that people who watch these TV shows may be more likely to purchase Vans.

Media Channels	% Down	Index
TV Show Types: Soccer	9.8	234
TV Show Types: Comedy/Variety	5.9	181
TV Show Types: Track & Field Games	4.6	192
TV Show Types: Reality Based	3.7	142
TV Show Types: Late Night Talk/Variety	2.3	141

For our second niche media vehicle, Television, we chose Soccer, Comedy/Variety, Track & Field Games, Reality Based, and Late Night Talk/Variety. We chose Soccer since it has an index of 234 and 9.8% of Vans users. Second we chose Comedy/Variety with an index of 181 and 5.9% of Vans users. Next we chose Track & Field Games with an index of 192 and 4.6% of Vans users. We then chose Reality Based with an index of 142 and 3.7% of Vans users. Lastly we selected Late night Talk/Variety since it has an index of 142 and only 2.3% of Vans users.

Media Channels	% Down	Index
Radio: Weekends 3PM-7PM	39.4	125
Radio: Weekends 6AM-10AM	31.2	103
Radio: Weekends 7PM-Midnight	26.6	160
Radio: Weekdays 7AM-Midnight	23.5	151
Radio: Weekends Midnight-6AM	5.9	145

Note: Because the MRI+ database has limited data, the media channels chosen here for niche do not differ significantly from those chosen for mass, and may even overlap.

For our third niche media vehicle, Radio, we selected Weekends 3pm-7pm, Weekends 6am-10am, Weekends 7pm-Midnight, Weekdays 7am-Midnight, and Weekends Midnight-6am. We selected Weekends 3pm-7pm because it has an index of 125 and 39.4% of Vans users. Next we selected Weekends 6am-10am with an index of 103 and 31.2% of Vans users. We then chose Weekends 7pm-Midnight with an index of 160 and 26.6% of users. We also chose Weekdays 7am-Midnight with an index of 151 and 23.5% of Vans users. Lastly we chose Weekends Midnight-6AM with an index of 145 and only 5.9% of Vans users.

Media Channels	% Down	Index
Magazines: LA Times (Sunday)	5	610
Magazines: Traditional Home	4.1	564
Magazines: OK!	2.9	582
Magazines: Country Sampler	2.6	513
Magazines: MORE	0.6	528

For our fourth niche media vehicle, Magazines, we selected LA Times (Sunday), Traditional Home, OK!, Country Sampler, and MORE. We chose LA Times (Sunday) since it has in index of 610 and 5% of Vans users. We also selected Traditional home because it has an index of 564 and 4.1% of Vans users. We then chose OK! with an index of 582 and 2.9% of Vans users. Next we chose Country Sampler, which has an index of 513 and 2.6% of Vans users. Lastly we chose MORE since it has an index of 528 and only 0.6% of Vans users.

Media Channels	% Down	Index
Cable: Galavision	8.7	260
Cable: Style	7.9	185
Cable: Fuse	5.8	224
Cable: FSC (Fox Soccer Channel)	5	210
Cable: FUEL TV	2.8	182

For our fifth and final niche media vehicle, Cable, we chose Galavision, Style, Fuse, FSC (Fox Soccer Channel), and FUEL TV. We selected Galavision because it has an index of 260 and 8.7% of Vans users. Next, we chose Style, since it has an index of 185 and 7.9% of Vans users. We then chose Fuse with an index of 224 and 5.8% of Vans users. We also chose FSC (Fox Soccer Channel) with an index of 210 and 5% of Vans users. Lastly we chose FUEL TV with an index of 182 and 2.8% of Vans users. If Vans targets these media channels, they will access a smaller, but more interested audience than for their niche marketing strategy.

Appendices: Excel Reports (MRI+)

	Fall 2012 Product: Apparel/Accessories					
	Athletic Shoes - Brands Bought					
	Vans In last 12 months					
	Adults					
		Total '000	Proj '000	Pct Across	Pct Down	Index
Total		232469	4129	1.8	100	100
Men		112618	1958	1.7	47.4	98
Women		119851	2171	1.8	52.6	102
Educ: graduated college plus		64519	684	1.1	16.6	60
Educ: attended college		44597	926	2.1	22.4	117
Educ: graduated high school		70692	1391	2	33.7	111
Educ: did not graduate HS	*	30354	578	1.9	14	107
Educ: post graduate	*	25596	189	0.7	4.6	42
Educ: no college		101629	2172	2.1	52.6	120
Age 18-24		29802	1587	5.3	38.4	300
Age 25-34		41810	742	1.8	18	100
Age 35-44		40059	792	2	19.2	111
Age 45-54		44215	691	1.6	16.7	88
Age 55-64	*	37176	235	0.6	5.7	36
Age 65+	*	39407	82	0.2	2	12
Adults 18-34		71612	2329	3.3	56.4	183
Adults 18-49		133798	3546	2.6	85.9	149
Adults 25-54		126083	2225	1.8	53.9	99
Men 18-34		36167	1323	3.7	32.1	206
Men 18-49		66772	1757	2.6	42.6	148
Men 25-54		62378	1001	1.6	24.2	90
Women 18-34		35445	1006	2.8	24.4	160
Women 18-49		67025	1789	2.7	43.3	150
Women 25-54		63706	1223	1.9	29.6	108
Occupation: Professional and Related Occupations		30719	452	1.5	10.9	83
Occupation: Management, Business and Financi	*	22354	264	1.2	6.4	67
Occupation: Sales and Office Occupations		32228	813	2.5	19.7	142
Occupation: Natural Resources, Construction an	*	12610	278	2.2	6.7	124
Occupation: Other employed		41417	805	1.9	19.5	109
HHI: $150,000+	*	24133	408	1.7	9.9	95
HHI: $75,000-$149,999		65415	804	1.2	19.5	69
HHI: $60,000-$74,999	*	25027	250	1	6.1	56
HHI: $50,000-$59,999	*	18933	283	1.5	6.8	84
HHI: $40,000-$49,999		20303	592	2.9	14.3	164
HHI: $30,000-$39,999	*	21989	565	2.6	13.7	145
HHI: $20,000-$29,999		23291	611	2.6	14.8	148
HHI: <$20,000	*	33378	616	1.8	14.9	104
Census Region: North East		42554	574	1.3	13.9	76
Census Region: South		86542	1020	1.2	24.7	66
Census Region: Midwest	*	50653	311	0.6	7.5	35
Census Region: West		52720	2224	4.2	53.9	237

	Fall 2012 Product: Apparel/Accessories					
	Athletic Shoes - Brands Bought					
	Keds In last 12 months					
	Adults					
		Total '000	Proj '000	Pct Across	Pct Down	Index
Total		232469	1383	0.6	100	100
Men	*	112618	229	0.2	16.6	34
Women		119851	1153	1	83.4	162
Educ: graduated college plus	*	64519	384	0.6	27.8	100
Educ: attended college	*	44597	261	0.6	18.9	98
Educ: graduated high school	*	70692	452	0.6	32.7	108
Educ: did not graduate HS	*	30354	138	0.5	10	76
Educ: post graduate	*	25596	186	0.7	13.4	122
Educ: no college		101629	514	0.5	37.1	85
Age 18-24	*	29802	123	0.4	8.9	69
Age 25-34	*	41810	40	0.1	2.9	16
Age 35-44	*	40059	138	0.3	10	58
Age 45-54	*	44215	159	0.4	11.5	61
Age 55-64	*	37176	219	0.6	15.8	99
Age 65+		39407	704	1.8	50.9	300
Adults 18-34	*	71612	163	0.2	11.8	38
Adults 18-49	*	133798	346	0.3	25.1	44
Adults 25-54	*	126083	337	0.3	24.4	45
Men 18-34	*	36167	25	0.1	1.8	11
Men 18-49	*	66772	62	0.1	4.5	16
Men 25-54	*	62378	55	0.1	4	15
Women 18-34	*	35445	138	0.4	10	65
Women 18-49	*	67025	285	0.4	20.6	71
Women 25-54	*	63706	282	0.4	20.4	74
Occupation: Professional and Related Occupatic	*	30719	113	0.4	8.1	62
Occupation: Management, Business and Financi	*	22354	98	0.4	7.1	74
Occupation: Sales and Office Occupations	*	32228	140	0.4	10.1	73
Occupation: Natural Resources, Construction an	*	12610	27	0.2	1.9	35
Occupation: Other employed	*	41417	56	0.1	4.1	23
HHI: $150,000+	*	24133	89	0.4	6.4	62
HHI: $75,000-$149,999	*	65415	336	0.5	24.3	86
HHI: $60,000-$74,999	*	25027	111	0.4	8	74
HHI: $50,000-$59,999	*	18933	135	0.7	9.7	119
HHI: $40,000-$49,999	*	20303	105	0.5	7.6	87
HHI: $30,000-$39,999	*	21989	176	0.8	12.8	135
HHI: $20,000-$29,999	*	23291	106	0.5	7.7	76
HHI: <$20,000	*	33378	325	1	23.5	164
Census Region: North East	*	42554	343	0.8	24.8	135
Census Region: South		86542	572	0.7	41.4	111
Census Region: Midwest	*	50653	284	0.6	20.5	94
Census Region: West	*	52720	184	0.3	13.3	59

	Fall 2012 Product: Apparel/Accessories					
	Athletic Shoes - Brands Bought					
	Converse In last 12 months					
	Adults					
		Total '000	Proj '000	Pct Across	Pct Down	Index
Total		232469	5033	2.2	100	100
Men		112618	2574	2.3	51.1	106
Women		119851	2459	2.1	48.9	95
Educ: graduated college plus		64519	982	1.5	19.5	70
Educ: attended college		44597	1182	2.7	23.5	122
Educ: graduated high school		70692	1547	2.2	30.7	101
Educ: did not graduate HS	*	30354	887	2.9	17.6	135
Educ: post graduate		25596	329	1.3	6.5	59
Educ: no college		101629	2739	2.7	54.4	124
Age 18-24		29802	1200	4	23.8	186
Age 25-34		41810	1036	2.5	20.6	114
Age 35-44		40059	1202	3	23.9	139
Age 45-54		44215	899	2	17.9	94
Age 55-64		37176	531	1.4	10.5	66
Age 65+	*	39407	166	0.4	3.3	19
Adults 18-34		71612	2236	3.1	44.4	144
Adults 18-49		133798	3928	2.9	78	136
Adults 25-54		126083	3137	2.5	62.3	115
Men 18-34		36167	1267	3.5	25.2	162
Men 18-49		66772	1993	3	39.6	138
Men 25-54		62378	1537	2.5	30.5	114
Women 18-34		35445	969	2.7	19.2	126
Women 18-49		67025	1936	2.9	38.5	133
Women 25-54		63706	1599	2.5	31.8	116
Occupation: Professional and Related Occupations		30719	578	1.9	11.5	87
Occupation: Management, Business and Financial Operations		22354	465	2.1	9.2	96
Occupation: Sales and Office Occupations		32228	700	2.2	13.9	100
Occupation: Natural Resources, Construction and Maintenance Occupations	*	12610	367	2.9	7.3	134
Occupation: Other employed		41417	1275	3.1	25.3	142
HHI: $150,000+		24133	489	2	9.7	94
HHI: $75,000-$149,999		65415	917	1.4	18.2	65
HHI: $60,000-$74,999	*	25027	491	2	9.8	91
HHI: $50,000-$59,999	*	18933	464	2.5	9.2	113
HHI: $40,000-$49,999	*	20303	517	2.5	10.3	118
HHI: $30,000-$39,999		21989	680	3.1	13.5	143
HHI: $20,000-$29,999		23291	653	2.8	13	129
HHI: <$20,000		33378	821	2.5	16.3	114
Census Region: North East		42554	821	1.9	16.3	89
Census Region: South		86542	2042	2.4	40.6	109
Census Region: Midwest		50653	601	1.2	11.9	55
Census Region: West		52720	1569	3	31.2	137

Appendix: IBISWorld Industry Report: Shoe & Manufacturing in the US

(cut to for this report relevant parts, which are highlighted in the table of content below)

IBISWorld

WHERE KNOWLEDGE IS POWER

Stepping down: Import penetration will stifle demand, forcing firms to change strategies

IBISWorld Industry Report 31621

Shoe & Footwear Manufacturing in the US

September 2013

Nikoleta Panteva

www.ibisworld.com | 1-800-330-3772 | info@ibisworld.com

About this Industry

Industry Definition

This industry manufactures footwear for men, women and children. They may manufacture rubber and plastic footwear, protective footwear, house slippers and slipper socks. Operators also manufacture men's or women's footwear designed for dress, street and work. These products also include men's or women's shoes with rubber or plastic soles and leather or vinyl uppers.

Main Activities

The primary activities of this industry are

- Rubber and plastic footwear manufacturing
- House slipper manufacturing
- Athletic shoes manufacturing
- Ballet slipper manufacturing
- Cleated athletic shoes manufacturing

The major products and services in this industry are

- Men's footwear (except athletic)
- Rubber and plastic footwear
- Women's footwear (except athletic)
- Other footwear

Similar Industries

31522 Men's & Boys' Apparel Manufacturing in the US
Operators in this industry manufacture men's and boys' apparel.

31523 Women's & Girls' Apparel Manufacturing in the US
Companies in this industry manufacture women's and girls' apparel.

33911a Medical Instrument & Supply Manufacturing in the US
Firms in this industry manufacture orthopedic extension footwear.

Additional Resources

For additional information on this industry

www.manufacturingnews.com
Manufacturing News

www.textilesociety.org
Textile Society of America

www.textileworld.com
Textile World

Industry at a Glance

Shoe & Footwear Manufacturing in 2013

Key Statistics Snapshot

Revenue	Annual Growth 08-13	Annual Growth 13-18
$2.0bn	-1.4%	-3.1%
Profit	**Exports**	**Businesses**
$147.9m	$634.0m	798

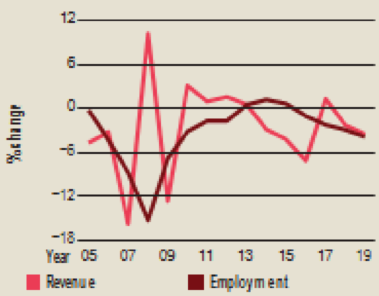
Market Share

New Balance

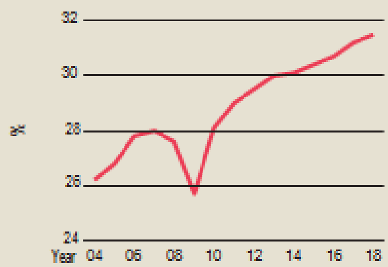
6.5%

p. 23

Revenue vs. employment growth



Import penetration into the manufacturing sector



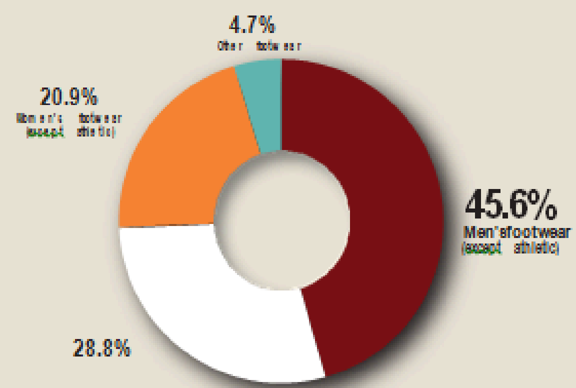
SOURCE: WWW.IBISWORLD.COM

Key External Drivers

- Import penetration into the manufacturing sector
- Demand from footwear wholesaling
- Per capita disposable income
- Trade-weighted index
- World price of rubber

p. 4

Products and services segmentation (2013)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Decline	Regulation Level	Medium
Revenue Volatility	Medium	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	High	Industry Globalization	High
Concentration Level	Low	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 30

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

This industry has one foot in the grave. With manufacturers shifting operations overseas and cheap imports penetrating the US market, revenue for the Shoe and Footwear Manufacturing industry is expected to fall at an average annual rate of 1.4% over the five years to 2013. Many companies have moved away from manufacturing footwear in the United States and are focusing on designing, wholesaling and marketing branded shoes. The credit and financial crises of the past few years have led to extremely low levels of consumer spending,

Continued outsourcing and low levels of consumer spending left the industry reeling

negatively affecting sales of discretionary items like shoes. However, this struggling industry is not likely to experience more double-digit drops; most large footwear manufacturers have already moved operations overseas and the rate of growth in international outsourcing is expected to stabilize. In fact, industry revenue is expected to inch up 0.5% in 2013 to $2.0 billion, boosted by growth in downstream demand from wholesalers and retailers.

The number of companies in the industry has also declined; from 2008 to 2013, the number of enterprises is expected to fall 2.2% annually from 890 to 798. Many new operators lack supply chain contracts with importers and are unable to send production offshore, which has caused them to lose out on margins. The average profit has dropped from about 8.0% of revenue in 2008 to 7.5% in 2013. This decline has pushed some players out of the industry because they were unable to sustain profitable operations. Meanwhile, well-recognized names, such as Nike, have tightened their stronghold on the shoe supply chain. While Nike accounts for a negligible portion of industry revenue, its brand recognition and effective cost controls have allowed it to remain at the forefront of the shoe sector. The sole major player in the industry, New Balance, makes only about 25.0% of its US-market shoes domestically, marking a shift in production location even for long-standing US shoe manufacturers.

Projected declines will be less drastic than the substantial drops that occurred at the start of this decade, as the industry will stabilize at a lower base. IBISWorld forecasts that revenue will decline at an average annual rate of 3.1% to $1.7 billion over the five years to 2018. Imports will continue to infiltrate the industry, growing at an average rate of 2.9% annually and satisfying more than 96.0% of domestic demand.

Key External Drivers

Import penetration into the manufacturing sector

Imports satisfy a growing portion of domestic demand for footwear. Since this type of manufacturing is highly labor intensive, US companies source many of their products from low-cost suppliers in foreign countries. Import penetration into the manufacturing sector is expected to increase slowly over 2013, representing a potential threat for the industry.

Demand from footwear wholesaling

The industry is affected by downstream demand from footwear wholesalers. In times of high footwear consumption, wholesalers will demand more shoes from manufacturers to sell to retailers.

Industry Performance

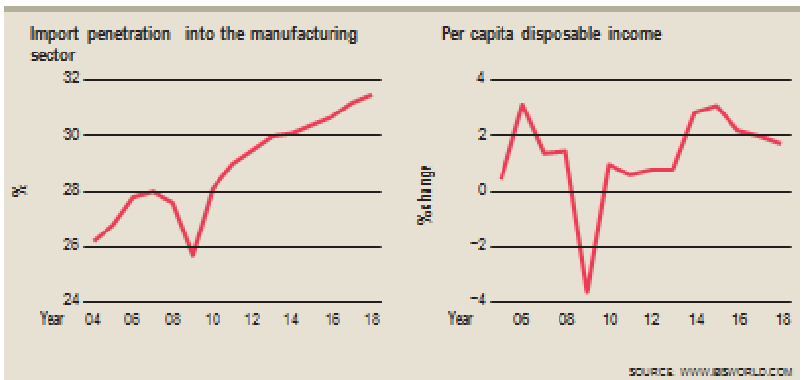
Key External Drivers continued

Demand from footwear wholesaling is expected to increase slowly in 2013.

Per capita disposable income
Disposable income plays a large role in the spending decisions of individuals and households. If income is low, consumers will not spend on discretionary items. Per capita disposable income is expected to increase slowly over 2013, creating a potential opportunity for the industry.

Trade-weighted index
Movements in exchange rates have a significant influence on the industry's global competitiveness. An appreciation in the US dollar makes imported footwear cheaper and more price competitive against US footwear. Conversely, when the dollar depreciates, US products are more attractive on the international market. The trade-weighted index is expected to increase throughout 2013.

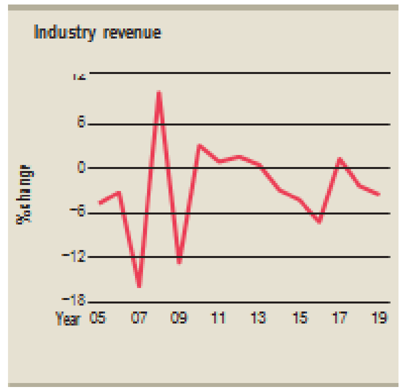
World price of rubber
Rubber is an important component used in shoe manufacturing and represents a purchasing cost to industry operators. When the world price of rubber increases, shoe manufacturers are faced with higher input costs and may suffer from declining profit margins. The world price of rubber is expected to decrease during 2013.



Industry Performance

Current Performance

The Shoe and Footwear Manufacturing industry was declining long before the five years to 2013. Operators have shifted much of their production activity offshore to low-cost countries including China, Vietnam and Indonesia. Cheap imports account for an estimated 95.0% of the domestic demand for footwear. This restructuring was only the first blow to the industry; the second was the Great Recession. Skyrocketing unemployment led to decreased incomes and plummeting consumer sentiment. Demand for discretionary products, such as shoes, declined drastically as a result, causing industry revenue to fall. Over the five years to 2013, IBISWorld estimates that revenue will decline at an



SOURCE: WWW.IBISWORLD.COM

average annual rate of 1.4% to just under $2.0 billion.

Import penetration and profitability

The economic advantages of outsourcing production to low-cost countries have been touted for more than a decade, with the industry embracing offshoring with enthusiasm. In 2003, imports satisfied 88.7% of the domestic demand for footwear. In 2008, foreign-made goods accounted for 92.8% of demand. Import values have grown at an average annual rate of 4.4% per year, despite the weak US dollar over much of the period, totaling $25.6 billion in 2013. This continuing import penetration indicates that foreign-sourced shoes are still relatively cheaper than domestic-made ones.

China remains the single largest importer of footwear into the United States, accounting for an estimated 69.7% of total imports in 2013. Neighboring countries such as Vietnam and Indonesia have recently emerged as major hubs for American footwear manufacturers. For example, imports from Vietnam account for 10.8% of import values in 2013, as opposed to 6.4% in 2008, making it the second largest source of footwear imports into the United States.

The level of outsourcing has restructured the domestic industry. Operators now focus on high value-added activities, such as designing, marketing and distributing shoes. Vertical integration has been a common trend among players. For example, former industry participant Nike is fully integrated. The company outsources nearly all of its production and uses its domestic capacity for designing and retailing products. This single case is indicative of the overall state of the industry. Over the five years to 2013, the number of enterprises is expected to shrink from 890 to 798, reflecting an average annual decline of 2.2%.

Another reason for the contracting industry is simply the inability of some smaller players to operate profitably. Average profit (i.e. earnings before interest and tax) has declined from about 8.0% of revenue in 2008 to an estimated

Industry Performance

Import penetration and profitability continued

7.5% in 2013 due to intensifying foreign competition and slashed shoe prices. Major player New Balance, the only athletic shoe company with manufacturing facilities in the United States, has even tighter margins due to its relatively high labor costs.

No shoes, no jobs

The domestic economy has been an inhospitable environment for shoe manufacturers in the five years to 2013. In addition to deteriorating manufacturing functions, the industry experienced a sharp decline in demand. In 2010, the national unemployment rate hit its highest point since 1982, with 9.6% of the nation's workforce jobless. Consumer sentiment hit its lowest point in 2009, following the housing market bubble burst and the crippling of the US economy. The combination of these factors caused consumers to shy away from discretionary purchases such as shoes. Revenue decreased a drastic 12.6% in 2009. However, as economic conditions have turned around (consumer sentiment is expected to climb 2.4% in 2013), industry revenue is likely to benefit from returning downstream demand. IBISWorld anticipates the industry to grow 0.5% over the year.

Employment and wages have dwindled as operators struggle to maintain profit

While this seems meager, it is a stark contrast from previous performance.

Industry employment has also fallen victim to the weak economy and intense outsourcing. From 2008 to 2013, the workforce is expected to decline by 2.6% from 13,359 to 11,725. Aggregate wages have also dwindled, reflecting avid cost-cutting measures by employers struggling to maintain profit margins. Aggregate wages have declined from $420.6 million in 2008 to an expected $415.0 million in 2013, reflecting a 0.3% annualized decline. Still, labor remains a significant cost component for the industry, accounting for 21.0% of revenue for the typical shoe manufacturer.

Not all bad news

Fortunately for the industry's remaining operators, there is a positive side to shoe manufacturing. On the international market, American-made shoes hold the esteem of high quality. Countries including Canada and Japan have steady streams of demand for US products, which have helped increase exports over the past five years. Favorable exchange conditions for international export destinations have also added to the market expansion. The value of exports is expected to increase at an average annual rate of 4.4% between 2008 and 2013, totaling $634.0 million. In two out of the past five years, the value of the US dollar has depreciated, making American goods, including shoes, relatively inexpensive and attractive to foreign buyers. The North America Free Trade Agreement, enacted in 1994, reduced trade barriers between Canada and the United States. Therefore, it is no surprise that Canada accounts for a significant portion of export values. Together, these factors have increased exports as a share of revenue, from 24.1% in 2008 to an estimated 32.1% in 2013.

Industry Performance

Industry Outlook

Over the five years to 2018, the Shoe and Footwear Manufacturing industry is forecast to continue its downward trajectory. The economic recovery will partly alleviate the suffering, as worries about unemployment abate and consumer confidence returns. The trend of outsourcing production to low-cost countries will continue to adversely affect industry revenue, though, as domestic manufacturers struggle to compete with their overseas counterparts. Producers will likely seek out new sources of cheap labor in untapped overseas locations, such as the Philippines, Thailand and the Dominican Republic. Exports are forecast to perform relatively well, aided by depreciation of the US dollar and the economic recovery in key export markets, such as Canada and Japan. In the five years to 2018, industry revenue is forecast to decrease an average of 3.1% per year to total $1.7 billion.

The trend of imported footwear dominating US shoe industries will continue over the next five years, satisfying more than 96.0% of domestic demand by 2018. Domestic producers will not be able to effectively compete against low-cost imports and are expected to move offshore or carve out

> Firms will stay competitive by developing niche markets, like high-quality, higher-priced footwear

niche segments, such as work-specific or premium high-end footwear. The economies of scale of outsourcing provide little incentive for operators to invest in new technology or improve efficiencies domestically. Downstream demand from wholesalers and retailers will likely pressure manufacturers to provide low-cost footwear, further enhancing the need to relocate to cheaper production sources. Former industry players Nike and Adidas have begun shifting their production centers from China to cheaper countries, such as the Philippines and Vietnam, as more international producers encroach on the Chinese markets. This trend is expected to continue into the five years to 2018; IBISWorld forecasts that imports will grow at an annualized rate of 2.9% to $29.6 billion by the end of the five-year period.

Tightening up revenue

IBISWorld projects the US economy will trend upward over the course of 2014, boding well for retail spending and sales of footwear. Revenue is anticipated to drop 2.8% in 2014, which is less jarring than the 12.6% loss in 2009. Revenue is expected to experience a slight uptick in 2017 as domestic footwear falls in favor domestically with consumers' budgets loosening. However, this will not offset the general downward trend in revenue; downstream markets will continue to source low-priced imported footwear. The growth in imports will negatively affect the industry, shifting it toward a new lower base.

In the past, tariff laws allowed local footwear companies to send products overseas for partial production and bring them back to the United States for completion. Therefore, duties were paid only on the value added by the overseas work. Historically, China has been the main source of this work and remains the world's largest shoe producer and source of footwear imported to the United States. Tariffs and quotas on imported footwear have been reduced since 2005, leading to increased levels of competing imports. Cheaper imports will force domestic footwear manufacturers to

Industry Performance

Tightening up revenue continued

increase productivity and efficiencies to remain competitive. Many operators have already made the offshore shift, choosing to focus on design, wholesaling and marketing domestically. IBISWorld projects this trend will continue through 2018, though at a much slower rate since the majority of outsourcing has already taken place.

By the same token, enterprise numbers are expected to fluctuate over the next five years, growing slightly through 2016 due to rebounding economic conditions, then declining again as import competition outweighs the positive effects of increased downstream demand.

Overall, the number of firms operating in the industry is projected to grow at an annualized rate of 0.0%, leveling off at 798. Profit will remain constrained, growing only slightly to 8.1% of revenue by 2018; successful operators will boost their bottom lines by offering high-end and niche products. Industry employment is expected to continue its decline, at an average rate of 0.9% per year to 11,235 workers. While the main period of restructuring and consolidation may have passed, revenue stagnation, plant closures and increases in capital expenditure to improve efficiency will likely result in lower employment.

Potential opportunities

Exports are high, accounting for an estimated 32.1% of industry revenue in 2013. This figure is forecast to rise at an average annual rate of 3.0% to $736.7 million and account for 43.6% of revenue in 2018. As domestic manufacturers compete against low-priced imports, companies will develop markets overseas to supplement their incomes. Countries including Canada, Japan and the United Kingdom are key markets for US footwear.

Over the next five years, manufacturers will remain competitive by developing niche markets for certain footwear products, particularly at the higher-priced end of the market. For example, women's dress shoes that are made from expensive materials are less likely to be made in other countries.

Japan have steady streams of demand for US products

The desire for particular consumers to maintain an image of quality may not be achieved from imported footwear. At the high end of the market, particularly with exclusive branded shoes (e.g. Manolo Blahnik or Christian Louboutin shoes), consumers are less influenced by pricing and more concerned with design quality, materials, finishing and brand image. Footwear manufacturers that can develop and grow these advantages will be in a better position to continue operating in the intense competitive environment.

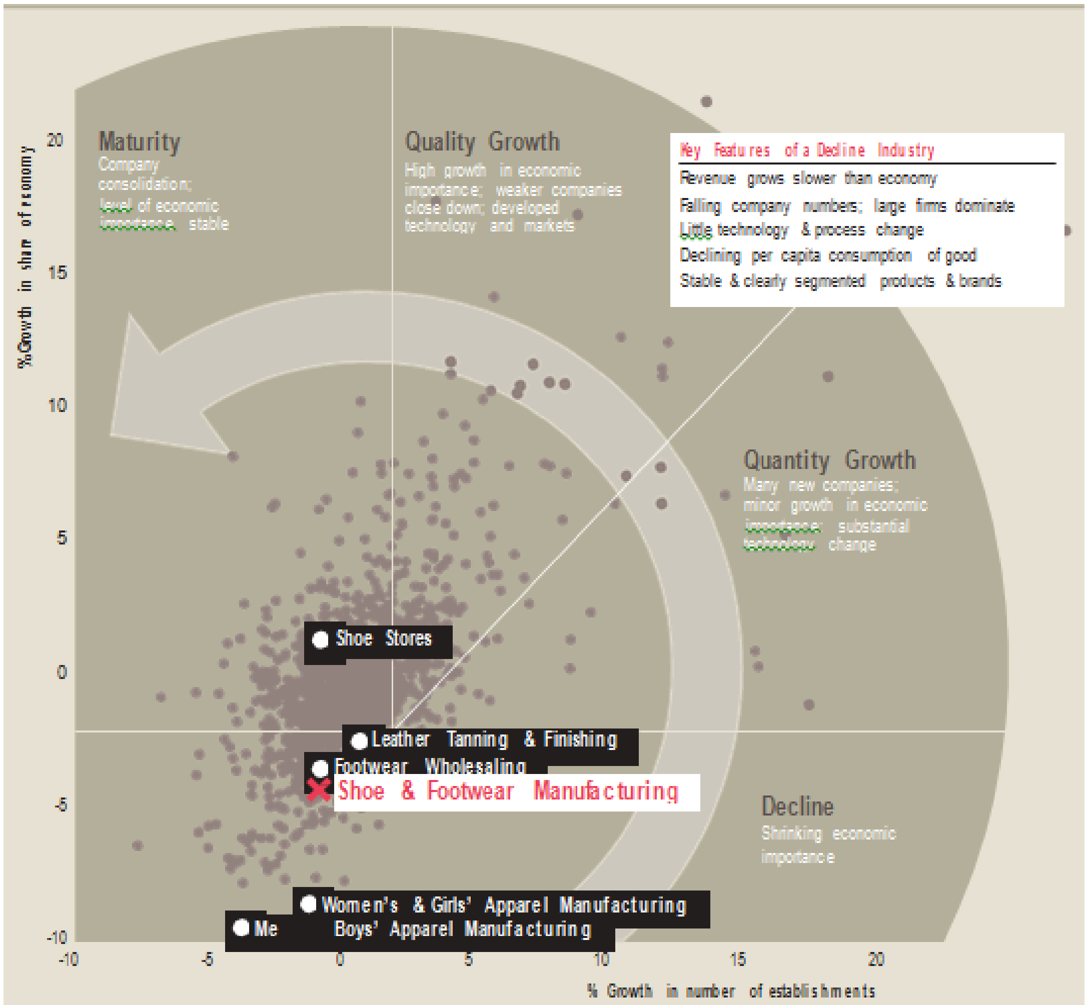
Industry Performance

Life Cycle Stage

Industry value added is expected to decline over the 10 years to 2018

The number of domestic footwear manufacturers has greatly shrunk

There is a high level of competition among participants, internally and from low-cost imports



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is Declining

The US Shoe and Footwear Manufacturing industry is in decline, most notably defined by its diminishing contribution to the domestic economy (measured through industry value added). Over the 10 years to 2018, IBISWorld forecasts that industry value added (IVA) will decline at an average annual rate of 2.1%. Meanwhile, US gross domestic product (GDP) is anticipated to grow at an average rate of 2.1% per year. This consistent decline in IVA is the result of strong price competition from low-cost importers. Companies have not been able to sustain profit margins or operations, sending the industry into a state of decline.

The number of footwear manufacturing facilities is also projected to decline from 911 in 2008 to 848 by 2018, representing an average annual fall of 0.7% over the 10-year period. Profitability has diminished with the influx of low-priced imports. Large operators like Nike and Adidas have vertically integrated to obtain economies of scale and capture a larger piece of the pie. The entire industry has been restructured to reflect the changing environment of footwear manufacturing.

Additionally, the domestic market for American-made shoes is saturated. Downstream shoe wholesalers and retailers choose to source their inputs from importers rather than local companies to cut costs. There is a glimmer of hope, however, on the international front. The export market has grown significantly during the five years to 2013, from representing 24.1% of revenue in 2008 to 32.1% in 2013. This expansion could signal the industry's shift to a niche market, where American-made shoes are perceived as higher quality and of higher value. However, so far, export values have not driven the industry back into growth.

While product innovation in shoes comes about each season, domestic manufacturers do not always reap the benefits. Offshore factories can make the same styles at much lower costs, making the foreign product much more attractive to US retailers. Therefore, product growth is limited for domestic producers.

Competitive Landscape

Cost Structure Benchmarks continued

costs have increased over the past five years. Rent and utilities comprise about 3.0% of revenue and have also grown over the past five years since many of these expenses are fixed; as revenue declines, costs grow.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Major factors affecting the basis of competition between firms in the Shoe and Footwear Manufacturing industry include price and quality, while major competition for items produced by the industry in the United States comes from imported footwear. The main factor for imported footwear having such a strong competitive position is that generally footwear comes from low labor-cost countries such as China, which allows US consumers to take advantage of cheaper shoes. Alternatively, price can be construed to signify the quality of the product. At the other end of the market is high-quality footwear, which is usually sourced from European countries renowned for their high quality of inputs such as leather and fabrics.

Product innovation is increasingly becoming a large competitive consideration for manufacturers; design teams are constantly creating various ranges of new styles of footwear, which include added features such as air pocket soles for outdoor activities. This product differentiation is perceived as one of the prominent factors consumers use at the point of purchase, aside from price.

Product branding is a crucial determinant. Established brand names such as Nike and Adidas have created huge brand image and recognition through varying marketing activities. This has created a loyal consumer base, which can be influenced by companies' market share and recognition. While Nike and Adidas do not produce in the United States, they are examples of external competitive forces, with strong branding, placing pressure on local industry operators.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Increasing**

The industry has a medium level of entry barriers. Starting up a basic, small-scale footwear manufacturing operation does not require excessive capital investment, which keeps barriers relatively low. Despite this, there are high costs associated with establishing brand names and the competition from existing brands like Nike and Adidas. This also heightens the costs associated with advertising and maintaining brand awareness. It can also be costly to acquire capital equipment and machinery to manufacture footwear on a large scale.

Given the general availability of offshore contract manufacturing, companies looking to manufacture in the United States now have to compete with low-cost countries and large US companies that have the capability to set up manufacturing operations overseas.

Over the past decade, footwear manufacturers in the United States have increasingly shifted their operations offshore to take advantage of low production and wage costs. This has in

Barriers to Entry checklist	Level
Competition	High
Concentration	Low
Life Cycle Stage	Decline
Capital Intensity	Low
Technology Change	Low
Regulation & Policy	Medium
Industry Assistance	High

SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Barriers to Entry continued

turn increased the level of import competition in the industry, which has made it extremely difficult for domestic manufacturers to compete with low-priced imports from countries such as China.

Industry Globalization

Level & Trend
Globalization in this industry is **High** and the trend is **Increasing**

The high level of globalization is attributed to the high level of international trade and outsourcing that takes place within the Shoe and Footwear Manufacturing industry. Footwear manufacturing is difficult to fully automate and, as such, is highly labor-intensive. Consequently, manufacturers seek out countries that have low wage costs to either contract work to, or to establish production facilities offshore.

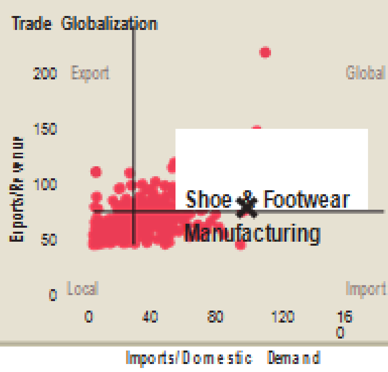
Large footwear companies, such as Nike, outsource manufacturing mostly to Chinese contractors due to the cheaper labor and overall production costs available in the country. Footwear is then imported to the United States and distributed to wholesalers or to retail outlets for resale to the final consumer.

Another contributing factor to the move toward a more globalized market is that, as import competition has increased in the past five years, US manufacturers have been unable to compete with cheaper overseas imports. Therefore, domestically based manufacturers need to find cheaper inputs in order to remain competitive, and this trend is expected to continue as the demand for footwear increases and greater cost pressures are placed on manufacturers.

International trade is a major determinant of an industry's level of globalization.

Exports offer growth opportunities for firms. However there are legal, economic and political risks associated with dealing in foreign countries.

Import competition can bring a greater risk for companies as foreign producers satisfy domestic demand that local firms would otherwise supply.



SOURCE: WWW.IBISWORLD.COM

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand	Imports in manuf. sector (%)
2004	2,471.4	886.8	923	892	18,068	321.1	19,620.6	617.8	21,770.9	26.2
2005	2,355.9	863.4	937	906	18,032	342.7	20,531.6	610.4	22,544.8	26.8
2006	2,281.6	784.1	955	931	17,263	386.3	21,259.1	541.5	23,154.4	27.8
2007	1,923.3	689.6	1,050	1,027	15,761	418.0	20,913.1	484.5	22,418.4	28.0
2008	2,120.6	643.3	911	890	13,359	511.9	20,614.1	420.6	22,222.8	27.6
2009	1,853.8	549.4	861	840	12,449	462.0	18,556.0	375.1	19,947.8	25.7
2010	1,912.4	572.0	837	815	12,061	522.8	21,503.1	393.5	22,892.7	28.1
2011	1,930.7	582.2	826	803	11,862	605.1	22,956.0	401.0	24,281.6	29.0
2012	1,961.8	596.0	819	794	11,664	620.9	23,699.0	411.6	25,039.9	29.5
2013	**1,972.4**	**600.1**	**822**	**798**	**11,725**	**634.0**	**25,613.9**	**415.0**	**26,952.3**	**30.0**
2014	1,916.9	596.4	832	803	11,867	626.8	26,733.6	412.5	28,023.7	30.1
2015	1,836.6	580.4	838	805	11,946	673.8	24,562.8	403.2	25,725.6	30.4
2016	1,705.6	550.1	847	811	11,827	688.4	25,498.8	382.6	26,516.0	30.7
2017	1,728.3	540.6	855	807	11,567	720.4	27,116.9	369.3	28,124.8	31.2
2018	1,689.4	518.2	848	798	11,235	736.7	29,594.4	348.8	30,547.1	31.5
Sector Rank	265/417	261/417	102/417	93/417	190/417	186/387	23/387	230/417	72/387	N/A
Economy Rank	985/1301	997/1301	800/1300	751/1300	850/1301	218/445	25/446	928/1301	85/445	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Imports in manuf. sector (%)
2005	-4.7	-2.6	1.5	1.6	-0.2	6.7	4.6	-1.2	3.6	2.3
2006	-3.2	-9.2	1.9	2.8	-4.3	12.7	3.5	-11.3	2.7	3.7
2007	-15.7	-12.1	9.9	10.3	-8.7	8.2	-1.6	-10.5	-3.2	0.7
2008	10.3	-6.7	-13.2	-13.3	-15.2	22.5	-1.4	-13.2	-0.9	-1.4
2009	-12.6	-14.6	-5.5	-5.6	-6.8	-9.7	-10.0	-10.8	-10.2	-6.9
2010	3.2	4.1	-2.8	-3.0	-3.1	13.2	15.9	4.9	14.8	9.3
2011	1.0	1.8	-1.3	-1.5	-1.6	15.7	6.8	1.9	6.1	3.2
2012	1.6	2.4	-0.8	-1.1	-1.7	2.6	3.2	2.6	3.1	1.7
2013	**0.5**	**0.7**	**0.4**	**0.5**	**0.5**	**2.1**	**8.1**	**0.8**	**7.6**	**1.7**
2014	-2.8	-0.6	1.2	0.6	1.2	-1.1	4.4	-0.6	4.0	0.3
2015	-4.2	-2.7	0.7	0.2	0.7	7.5	-8.1	-2.3	-8.2	1.0
2016	-7.1	-5.2	1.1	0.7	-1.0	2.2	3.8	-5.1	3.1	1.0
2017	1.3	-1.7	0.9	-0.5	-2.2	4.6	6.3	-3.5	6.1	1.6
2018	-2.3	-4.1	-0.8	-1.1	-2.9	2.3	9.1	-5.6	8.6	1.0
Sector Rank	336/417	289/417	195/417	160/417	214/417	240/387	79/387	234/417	47/387	N/A
Economy Rank	1070/1301	988/1301	819/1300	701/1300	863/1301	277/445	96/446	869/1301	56/445	N/A

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)
2004	35.88	90.12
2005	36.65	91.07
2006	34.37	91.81
2007	35.86	93.29
2008	30.34	92.76
2009	29.64	93.02
2010	29.91	93.93
2011	30.15	94.54
2012	30.38	94.64
2013	**30.42**	**95.03**
2014	31.11	95.40
2015	31.60	95.48
2016	32.25	96.16
2017	31.28	96.42
2018	30.67	96.88
Sector Rank	136/417	8/387

Figures are inflation-adjusted 2013 dollars. Rank refers to 2013 data.

SOURCE: WWW.IBISWORLD.COM

Appendix: Hoover's Company Records - In-depth Records Vans, Inc.

Hoover's Company Records - In-depth Records

November 18, 2013

Vans, Inc.

6550 Katella Ave.
Cypress, CA 90630
United States

* * * * * * * * * * COMMUNICATIONS * * * * * * * * * *
TELEPHONE: 714-889-6100, 888-691-8889
URL: http://www.vans.com

* * * * * * * * * * COMPANY IDENTIFIERS * * * * * * * * * *
HOOVER ID: 11986

* * * * * * * * * * COMPANY INFORMATION * * * * * * * * * *
LEGAL STATUS: Subsidiary

* * * * * * * * * * DESCRIPTION * * * * * * * * * *

The movie Fast Times at Ridgemont High put Vans sneakers on the map, but the company owes its current popularity to the fashion sense of extreme-sports enthusiasts who weren't even born then. Vans designs and sells footwear and apparel for casual wear and for use in activities such as skateboarding, snowboarding, surfing, bicycle motocross (BMX), and motocross. Vans merchandise is sold in the US by national chain stores and in skate, surf, and specialty shops in North America, Europe, and Asia. Vans operates about 270 stores in the western US and in Europe. As part of its marketing strategy, Vans backs bands through music festivals. The company is owned by V.F. Corporation.
After V.F. bought Vans for about $400 million, the company made it part of its outdoor and action sports business, where Vans has since become V.F.'s star performer alongside other brands such as sportswear apparel maker North Face. Despite sales declines for US manufacturers during the economic downturn, Vans has helped V.F. grow its revenue. Extending its reach to China in 2008, the footwear firm is one of its parent's most popular brands worldwide. Indeed,

sales for Vans rose 20% in fiscal 2011 vs. 2010, thanks to growth in domestic and international markets. The shoe maker attributes the boost to new store openings, comparable store sales growth, and an expanded e-commerce business. To maintain its momentum in fiscal 2012, V.F. plans to invest about $85 million in retail capital investments for Vans, as well as for North Face and upscale jeans maker 7 For All Mankind.

Internationally, Vans has begun to tap the huge market in China, where it boasts about half a dozen in-store shops in department stores in Beijing and Shanghai, and its own Vans store in Shanghai. To this end, Vans aims to be a more than $1 billion company by 2013. Elsewhere, the retailer operates an outlet on Carnaby Street in London as its flagship retail store in Europe. In Mexico, where Vans has marketed its products through a 50%-owned joint venture, the manufacturer in 2010 took full ownership -- and control of its product in the country -- by purchasing the remaining interest in the joint venture.

While the company is known for its footwear, it is working to grow the Vans apparel business and its market share among female customers. Launching a Hello Kitty line of Vans has helped to pique the interest of women. As a way to market itself nationwide, its parent company owns 70% of the Vans Warped Tour, a music festival that showcases some 40 punk rock bands that perform in more than 40 North American cities each summer. The company had operated about 10 huge indoor skate parks (some with BMX tracks), but closed all but a couple of those parks, primarily because of competition from public skate parks.

HISTORY:

Founded by Paul Van Doren, his son Jim, and two other partners, The Van Doren Rubber Company began shoe production and opened its first store in 1966. Dozens more stores opened that year. The company's shoes gained a foothold among skateboarders in the 1970s. In 1980 Jim took over the firm.

When Sean Penn slapped himself in the head with checkered Vans in "Fast Times at Ridgemont High," sales took off. However, the operation overexpanded, and in 1984 Van Doren Rubber entered Chapter 11. Paul took charge again the next year. McCown De Leeuw & Co. acquired the company in 1988 and took it public in 1991, changing the name to Vans. Sales slowed in 1993, and inventory stockpiled as the company started to import shoes made in South Korea.

In 1995 Vans closed its original factory in Orange, California. Also in 1995 Britannia jeans founder Walter Schoenfeld came out of retirement and, with his son Gary, took charge. The Schoenfelds got Vans more involved in sponsorship of sporting and music events. Vans began marketing its own clothing line in 1996.

Sales growth slowed in fiscal 1998 as Vans' Japanese distribution system fell apart, and the company closed its only US plant, cutting nearly 300 employees. Vans redefined vertical integration in 1998 by opening a 46,000-sq.-ft. skate park -- including an 80-ft. vent ramp -- in Orange, California. It also purchased Switch, a maker of snowboard boot-binding systems, and it opened its first European stores in Liverpool and Barcelona.

Vans formed joint ventures with Sunglass Hut International (to make and sell Vans and Vans Triple Crown sunglasses) and teen apparel retailer Pacific Sunwear of California (to make and sell Vans apparel) in 1999. Vans also launched its Triple Crown store concept and opened two more skate parks in California that year. In 2000 Vans built skate parks in Texas and Virginia and by 2001 had expanded its number of skate parks to nine.

The company delved further into the music business in 2002 with the formation of its own music label, Vans Records. Also in 2002 Vans added protective gear to its product list when it bought Mosa Extreme Sports, maker of Pro-Tec helmets and pads.

The next year Vans retooled its women's line and launched a new line called the Vault Collection that is based on styles popular in the 1960s and 1970s. Also in 2003 the company closed its joint ventures in Brazil, Argentina, and Uruguay.

In 2004 Vans was acquired by VF Corporation for about $400 million.

HOOVER INDUSTRIES:

- Consumer Products Manufacturing
  - Apparel Manufacturing
    - FOOTWEAR MANUFACTURING
  - Sporting Goods Manufacturing
    - Athletic & Outdoor Gear Manufacturing
- Retail Sector
  - Clothing Stores
    - Shoe Stores
  - Sporting Goods Stores

COMPETITORS:

- adidas
- Converse
- NIKE
- Billabong
- Burton
- Deckers Outdoor
- Keds
- K-Swiss
- Life is good
- Sole Technology
- Birkenstock USA

- Nautica Apparel
- PUMA SE

List of Figures

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