

Survival Means SALES

Improving YOUR
BOTTOM LINE
through
**Effective Innovation,
Market Building and
Product Knowledge!**

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January, 31, 2004 Panel Transcript



KATHY SWANTKO (Moderator) – Good morning and welcome. I'm Kathy Swantko, president of FabricLink and FabricLink's Technical Center web sites. This is the second Industry Panel organized by FabricLink. The first Panel was held at the summer OR Show in August 2003, and received an enthusiastic and positive response.

It's our intention to provide an ongoing series of Panels made up of industry experts, who address topics and issues important to the performance fabric market. It is through this type of dialog that we can find ways to better work together for the good of the industry, and to succeed in this dynamic market. Our commitment is to also see that the Panel will not just be limited to talk, but will produce action items with follow-through.

Many businesses in the outdoor wear market, including suppliers, manufacturers and retailers, tend to be focused on their own day-today- business. And, little time is given to looking at the industry as a whole to see what needs to be done to better service the needs of the consumer. This Panel is intended to serve as a catalyst in the process of helping to build a future that provides benefits to all the industry segments, including the end-user.

At the completion of today's Panel, please take a few minutes and fill out the brief opinion sheet that you received when you arrived. This is the gold sheet. It's your opportunity to give us your reaction to this Panel, provide us with recommendations on future Panel members, as well as to suggest ideas for future panel topics.

I'm pleased to announce that today's panel is being sponsored by FabricLink's Technical Center, together with 17 industry businesses. We wish to thank the following companies for their contributions and proactive support of our industry, through their sponsorship of this Panel.

Our Platinum Level Sponsors (who also provided the continental breakfast) include: Deer Creek Fabrics Inc., FedEx, GearTrends Network, Holofiber, IFAI Expo 2004, Inside Outdoor Magazine, MoSox, Polarguard by KoSa, and Unifi.

The Gold Level Sponsors include: Concept III, Glenoit Fabrics, and KnitAmericas Magazine.

And, our Silver Level Sponsors include: AEGIS Microbe Shield, Dri-Release, Freudenberg, Smartwool, and TSR Yarns.

The title of today's Panel is: "Survival Means Sales—Improving Your Bottom Line Through 'Effective' Innovation, Market Building, and Product Knowledge". The topics we will cover include: 1. Ways to improve communications up and down the supply chain, including communications with the end-user; 2. The process for developing innovations that have true retail value; 3. Why improving product knowledge at retail requires a team effort. And 4. Ways to build a broader market base.

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I'd like to begin by introducing our Panel of experts. You will find brief bios of everyone in the media kit you received when you entered, as well as information about FabricLink's Technical Center.

Representing the fiber segment is John Anderson, VP of Advance Polymer Applications for Wellman's Fiber Division. Prior to his position with Wellman, John held a variety of positions with Celanese and Hoechst Celanese, including Director of Quality Management for the Fibers Group and Worldwide Business Director for the Filter Products Division.

Representing the fabric segment is David Parkes, president of Concept III International. David started Concept III in 193 as a domestic resource. Today, it is an international resource with offices in both the U.S. and Europe. For over 20 years, he has worked in developing textiles from natural cotton to technical fabrics for a variety of outdoor, active sports, casual sportswear manufacturers, and retailers.

Representing the apparel manufacturing segment is Jim Frazier, VP design and product development for Marmot Mountain, Ltd. Jim joined Marmot in late 2000, and manages all aspects of product development and design, as well as R & D for the brand. Prior to joining Marmot, Jim was director of outerwear, handwear, and packs & luggage for Burton Snowboards. Under Jim's direction, the Marmot product development team has received several recent product awards from both *Outside Magazine* and *Backpacker Magazine*.

Representing the moderate-sized specialty store segment is Jeff Smith, executive VP/COO for Blue Ridge Mountain Sports. During his 17-years with Blue Ridge Mountain Sports, Jeff has served in nearly every capacity, including merchandising, marketing, and real estate. Today, he is co-owner of this dynamic group of 13 outdoor specialty stores, known to its loyal customers simply as Blue Ridge.

And finally, representing the large specialty retail segment is Terri Perlman, product manager for REI. Terri has been with REI's merchandising division for 20 years, and an industry professional for 25 years. She has served on the OIA board of directors for 10 years. Terri was a founding member of the Climbing Sport Group and is a member of the outdoor Industry Women's Council.

One of the topics that generated interest with the August '03 Panel was innovations. Jeff pointed out that you can't have innovation just for innovation's sake. Innovations, or new product developments, should fill a need and provide value. Ultimately, success is measured in sales, and selling is all about being able to convey value to the consumer.

What's your feeling Panel? Do you think the drive to innovate is causing us to look past the more basic goal of meeting the practical needs of the consumer? And, are we putting enough effort into asking consumers what they want?

JEFF SMITH – I haven't changed my mind since last August. I struggle sometimes, because there's a whole lot of people that have booths set up here on the sales floor, and unfortunately a lot of the product is just outstanding. But we're a small company, and you can only buy so much. The reality that we're faced with as we walk around here with a relatively small check-book is that we have to buy the things that we can convey some sort of a message of value to the consumer. And, sometimes when we see new things, and sometimes there's a tremendous amount of buzz around a particular product, but it doesn't have anything to do with perhaps what the consumer's end-use would be. So, I think on our side sometimes, we struggle with trying to be certain that we have products that we can offer, products that we can make a "statement of value" to the consumer. And, value's not about price, value's about having enough features and benefits

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that you're willing to pay the asking price. I think all of you may remember the last couple of years in the industry, we had a discussion about innovation, and then suddenly we had a flurry of ideas that came out. And, I'm not sure that all of those things were necessary—and were related to the ability to convey a value message to the consumer. So, that's what brought about the discussion last August.

JIM FRAZIER – I'd be happy to jump in here, because I'm actually one of those people with a booth out there. It's been one of our greatest challenges as a manufacturer to continue to quantify what really is innovation, and what is the value to the end-user. And, the difficulty that we all face is often times we get caught into the easy hype of early development, without actually testing the product, not only in the retail environment, but on the end-user to make sure that the innovation is truly quantifiable. So, I challenge anyone sitting out in the audience that as you bring products forward, you have to put that cold, hard litmus test on it. We've been lucky, because I work with some gentlemen that have been in the industry now for over 20 years, and they apply that to everything I bring forth. And, often times, some of my greatest ideas never get out of the development stage. One of the things that we do, which I would encourage other people to consider is that we actually take the product, and we run a group of 1 athletes, who are based primarily out of the Western U.S., and they act as our first line litmus test. So, they get early proto-types of what we make in Santa Rosa, California, and they run it through the ringer. Then, we actually run it through a group of selected retailers, who look at it from the price/value relationship, because as everyone knows, it's easy to bring something forth—something at a certain price-point, but the challenge is the value-equivalent to the price-point is what you're going to be considering. So, that's a secondary step that we run through, and I would encourage people to think about that. The third thing is: does it really make sense? I mean, if you present it 3 or 4 times, and it's still not really hanging together, then you've got to think twice about it. And there are some classic examples of this that have come out in the last three to five years that really look good on paper, but really haven't hit well to the end-user. And, that's what's really important, because Jeff represents just one step of the gate-keepers. The ultimate gate-keeper is the consumer with a checkbook. And, if they're not excited about it, it's not going to run through. I'll use an example that's not brand-centric, but is more technology-centric. Phase change was a great concept. But, it has never been able to be qualified at the retail level or at the consumer level as making a difference to comfort, or making a difference to performance. And, we as a brand adopted it early, and presented it, and I think we did it for two years. And, every time we presented it, it just didn't hang together. And, so that's something that I challenge everybody here to think about. You may come up with the greatest idea possible, but you've got to make sure that it's viable, and that it has value, and that it really makes sense.

DAVID PARKES – What I think we need to examine here is to look at the last 7 or years of this industry. Obviously, the industry has been through considerable change over the last four to five years particularly. But, if we go back 7 or years, fiber companies and the textile manufacturers, which obviously I work with very closely, were to some extent driving this industry through yarn and fiber innovation. And, companies like W.L. Gore, Malden, DuPont, and Wellman, and other companies had large budgets. They were promoting product through the chains, all the way through to the retailer. That has not been occurring to the same degree in the last few years, because almost everyone has been in survival mode. Textile prices have dropped. Yarn prices in certain areas have been forced to change. Obviously, retail price points may not have changed considerably. But certainly garment prices have. So, it's been a lot of pressure on the supply chain, and the sourcing and pricing have become a major focus of

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the industry, rather than money being devoted to fiber and textile innovation. The good news to me is that a renewed interest in innovation is starting to happen again. I think the “blood-letting”, the term I use, is over. The industry is stabilized again. We’re starting to see some new products. We’re seeing companies like Unifi and Invista bring new yarns and finishes to the industry. And, they are starting to promote them, and starting to market them well. The brands, such as Marmot, have done a great job promoting product. But, they’ve really been in isolation. We really haven’t had the education coming out of the textile/yarn sectors that we did in the past. And, we need to do that again. We need to educate the retailer, because the retailer has to come on board. And so, I kind of look at 7 to 8 years ago when the industry was very vital, and things were happening. We’ve been through 4 or 5 difficult years, and I’m very optimistic that we’re going to see a much fresher approach to innovation, and marketing that innovation to the chains.

JOHN ANDERSON – I would agree with what you said, David, about the pressure that’s been on the primary part of the market. I guess when you’re sitting at the raw material end, it’s very difficult to get directly to the consumer. We, at Wellman, have found that our best dialog, and our best direction comes from working with the major brands. And, when we can get dialog working with people, like REI, at the retail level to give us some idea of what consumers want; and we can get very specific direction on specific things that they’re interested in partnering on, that’s very important.

Testing is also a very interesting tool that we have. Certainly, at the primary end, we haven’t used it too much, and we, at Wellman, have gone back to it. If you are in a consumer package goods company, which many of you effectively are, you would go to consumers and consumer panels, and sort of float an idea. And, you wouldn’t even have to have the first fabric when you do that kind of research. We did that sometime back with EcoSpun® and found that this particular product really resonated with consumers. Today, we’re starting to do more of that again. We’re actually doing panel work to see “Does this idea make sense? Does this idea hang with people, and are they willing to pay for it?” The testing of efficacy behind it is even more important, and we’ve certainly found that to be true in the new products we’ve brought to market. We’re working with some of you in this room on Holofiber, for example. And, that’s prompted not one, but three different clinical studies. We opened it with a study of diabetic patients, thinking that if challenged people can see the benefits of it, certainly the rest of us would. Well, people said “No, we need to see the data—we need to see proof!” And so, we worked through normal people, and the answer was “yes”. And, now we’re in the process of testing conditioned athletes at the University of Oregon at Eugene to see: Does this really improve performance? Is there something here that we can learn about the product? So, the testing is absolutely vital!

KATHY SWANTKO (MODERATOR) – It’s obvious that how products are marketed is important. And, just to follow-up on the innovation side of things—the marketing aspect, and the marketing of innovations is important. How can marketing address the consumers anxiety about buying technical products, and the need for getting a sense of value? In general, do you think products are being marketed too much on performance, and not enough on value? And, Terri, being so close to the consumer, you may have some feeling on this.

TERRI PERLMAN – I would say that an awful lot of the marketing we see focuses on the technical aspects, particularly from the raw material/supplier end of things. And, you often will see garments, or you have in the past, with multiple hang tags from raw materials people on them. And, I don’t think that most consumers grasp that. I think, to your point, it’s about what value is this bringing me? How is this going to help my experience in the outdoors? How is this going to make me more comfortable? And, rarely have I seen marketing pieces that address that in a simple and digressive way. There’s a lot of technical talk. Most of us that work in it are technically oriented. And, I think we lose sight of the fact that the average person on the street is lost in our acronyms and in our technical things. And, it’s all about— “How will this help me have fun in the outdoors? Is this going to make me more comfortable?” And, to give a price/value relationship to that. I think that’s definitely an opportunity for all the suppliers.

Kathy: It’s been pointed out that improving product knowledge at retail is a “team effort”, involving the retailer, the manufacturer, and the supplier. So, where does the process need to be improved, and how do we do it? Is there a formula? Does anybody have any ideas on this?

JEFF SMITH – There’s no formula! I wish there was! Often times, I think we look for simple solutions to complex problems. And, this is a complex problem., which I think is going to require a complex solution. And, I’ll speak as to how we try to address education at the retail level. One thing that is absolutely pivotal in our organization is that it has to be something that makes a difference to the end-user/customer. When we talk about fact tags, we talk about all of these pieces that might be placed on a garment. But, when it rolls into the store, I don’t think many purchase decisions are made, based upon a really cool tag from the manufacturer. I think that purchase decisions are based on: “What will this do for me? Will it look great on me? And, will I be able to use this in all the activities that I choose to participate in?” Of course, I’m hoping that they won’t be able to use it for all the activities that they participate in, so that they can buy one or two items for every sport that they’re involved in. But, I think, in our company, we like to take on this education piece in basically three forms. And, I’ll only discuss the retail side along with Terri, and the rest of you guys can talk about the other things. But, the first thing is procedural. You need to have someone proficient in doing the procedural things inside your store, because I’m sure that you have as little spare time in your life, as I do in mine. And, it’s insulting to take a customer’s time and burn it at the cash register. The second thing is the pure product knowledge. And regarding product knowledge, we look for people that are good teachers.

Products have features and benefits. Features don't necessarily really mean very much unless you can convey the significance of the benefit that goes along with the feature. And for us, someone who simply ends up discussing the features at the customer interaction level is telling a story that's not necessarily relevant to the consumer. We look for people who will have the ability to be good teachers, not tellers——teachers! If you can teach the consumer the benefits of the product, you're more apt to make a sale of a product, more than just once. We're not interested in selling you the one piece of gear as the self-service thing that you need only once. We sell durable goods in this industry. If you buy a high-end Gore-Tex shell, for example, you're out of that market for awhile, because the reality is that the customer won't need another one for awhile. Good durable goods takes you out of the market, so let's make sure we do as good a job of servicing that sale through the consumer as we possibly can, with the notion that we've taken them out of the market. But, hopefully that sales experience was positive enough for them, and they'll come back and buy something else from us. So, the first component is procedural, and we're not wasting the consumer's time. The second component is the product knowledge piece. But, all those things are worthless without the third piece, and that's the service and sales component. We address that as a completely separate entity from product, and it's helping someone interact comfortably with the consumer on a one-to-one level. The last thing that I want to have happen in our organization is to have a customer feel like they're being sold to. That is not a good thing. If you come into our front door, and you feel like the sales process is reminiscent of buying a used car, we've failed miserably in our job. The goal for us is that we teach a process whereby you go through and uncover what the customer is going to use the product for. And, in our organization, it's unacceptable to sell somebody something that they don't need. The only good sale you can make is a sale that's appropriate for the consumer's need. And again, I don't want to get somebody one time. I want to have somebody come into the store, feel good about being there, and give us their dollars for the rest of their life.

KATHY SWANTKO (MODERATOR) – How can we improve the product knowledge, since it is a team-effort, on the manufacturer and supplier end? Any comments on this?

DAVID PARKES – What I will say is that in the last 10 years, I think frankly we've done a pretty good job of educating the consumer. What an enormous task it is to reach 300 million people, and tell them about all of the new products and the new technical innovations that we have, and why they should respond to a particular item. Again, going back to 10 years ago, I don't think the consumer related to technical fibers. CoolMax® meant nothing. Micro did something, but people today are far better educated than they were 10 years ago. I think as an industry, we've done a pretty good job. When you open the New York Times in the last 30 days, I've seen an article on Under Armor. I seen an article on HoloFiber. These are not small articles. These are major articles. And, the consumer is seeing this, so I think frankly, we've done a good job. We obviously need to do better, and I think it's education with education at the retail level where we need to improve. We need to get the retailer into the loop. And, the retailer needs to open their doors, particularly the "big boys", so that we can pursue this education route. I think the retailer is where we need to do our work. But, I think in reaching the consumer, I would applaud the industry in what we have accomplished in the last 10 years.

JOHN ANDERSON – I would agree, David, on the highly technical products, the most effective way to get the story over to the consumer is not for you to tell it, but to have some expert say, "Yes, I believe in this product." I think of that New York Times editorial, in particular. PR, rather than paid advertisements is best——getting on TV programs, getting interviewed, and then having hard data to back things up, serves a real purpose! Having honest stories to tell about a product, and then telling them in forum like that are super ways to educate consumers, with a lot more credibility than running an ad on a product, or putting a hang tag on it.

On the technical side, we tend to bet very "geekee" about the features of our product, particularly when it's tied in with cheaper, faster, and stronger in some way. I do think that having performance data as it relates to the consumer is vital——not just that this will wick moisture in 30 seconds, but it means that you're going to stay dry. You're going to go X amount of time without needing to change garments, etc. So, I would agree that consumer-related messages, rather than technical stories are where the "rubber meets the road"!

JIM FRAZIER – I just want to jump in here and share my feelings from the product side. One of the things that was eye-opening to me, coming into this industry from snow, was the detailed technical requirements that our retailers had from the knowledge side. Coming out of snow, what was important——just as Jeff eluded to was: "Does it keep me comfortable? Do I look good in it? Am I actually going to be able to spend the entire day on a mountain?" Coming here, the first thing that my crew and my sales force asked me was, "Exactly what is the waterproof/breathable rating on this piece?" And, to me that was eye-opening, because to me the question was not oriented to——"Does this keep me comfortable?" It's actually relating comfort to a technical number. And, I think that one of the greatest challenges that we all face is that we often get caught up in the details that really, truly don't matter. And, that's something that's really important to carry forth. A contest is someone who has a water breathable garment that is 20,000 mm versus one that 17,000 mm. I've done a whole lot of human physiology testing in my time at Marmot, as well as in my time in a previous life. And, you can't tell the difference, physically, at that fine of a level. Often times, the sales teams that go into train——that's what they hang their hats on. Three years ago at Marmot, we started going through a litmus test of every product. And, it's really a four-part thing. The first of which is: "Is this garment comfortable, and why?" Second: "What is the fit of the garment?" And the third part: "Is the styling going to make someone feel really good about themselves?" And the fourth part: "What is the price-value relationship?" And, I challenge everybody

here to think about that, because it's easy to get sucked into that fine technical discussion. But, then you have to step back and say, "Does that really make a difference?" Often times, what I've found in all the lab tests that we've done, and we've done several hundred hours of human physiology testing all over the world. You can't tell the difference——so think about that one!!

KATHY SWANTKO (MODERATOR) – Following up on this—Many consumers get overwhelmed when thinking about performance fabrics, because of the technology involved, and the confusion over the array of products that appear to provide similar characteristics, the high prices of these apparel products, and trying to figure out if they're getting value for their dollar. What can be done to ease the anxiety of consumers, and make it easier to purchase performance apparel? We take technology for granted in our industry. But, terminology can be one of the stumbling blocks for the average consumer, particularly new consumers coming into the market that are new outdoor people who we're trying to attract. Is there a need for a standard glossary of terminology (i.e. soft shell, hard shell, laminates, seamless, etc.), and for characteristics such as water resistance, water repellent, waterproof, etc.? If this was broadly available—a standard glossary of terminology, would it help to take the edge off purchasing technical products for the consumer?

And, then to follow-up with that. So, keep that question in mind. Would there be any use to establish some sort of a universal grading or coding system to help some of the consumers, and some of the sales associates at retail to more easily be able to understand and compare the value of apparel and gear they are buying and selling? Is this practical, and who should take the lead? And, how do we go about doing something like this?

JIM FRAZIER – I'll jump into this, because some of this actually falls on the manufacturer's shoulders. And, it actually comes all the way upstream to us from the raw materials suppliers. We work in an industry filled with very innovative people. And, if we put a standard in place, someone's going to figure out a way to re-standardize it. I can guarantee you. It's kind of like when the sleeping bag standard came out. And, we're sitting scratching our head, and saying, "We didn't even think about that one." So, I do believe there is some credibility in certain terminology being used in a common form. One of the great misnomers floating through the industry right now is welded versus glued for constructions. The other one is waterproof, and then to follow on breathable, because those are twisted. We live in an industry that is built upon this. And, so to me, I think the important thing is to actually talk about regarding waterproof and breathable is: "What is the important factor? Is it comfort?" And, if there is a way to measure that, then "yes" there should be a standard factor. But, I do believe that there's going to be a challenge to have that level of standardization. The most important thing, taking that aside is: "truth in discussion——truth in presentation of data." We get a lot of misrepresentation in our industry, because we have a lot of creative people who work in it. And, I think half of them have another career as criminals. (Laughter, Laughter!) But, to be honest, that is one of the difficulties we face. So, I challenge everyone in this room, as you're developing product, or you're developing textiles, or you're developing yarns, or you're developing sales programs, apply the litmus test of truth, because that is ultimately what will make the difference for end buyers——if we all tell the truth, and the consumers' experience matches the truth, they're going to trust us a lot more. And so, craft your arguments carefully, so that you are saying what is really going to happen!

JEFF SMITH – If we had three things on a menu for lunch, we'd all want to choose five. The reality of this industry being jam packed with independent, creative people, because this kind of lifestyle kind of attracts those folks. So, finding a set of terms that we can all agree on may be an interesting challenge. And, I'm not sure that we could do that in any of our lifetimes in any particular level of detail. If we choose to agree on some things under the broader scope, whether it be waterproof, whether it be breathable, the one that I have personally internalized and loved the most is hard shell versus soft shell. For six years, I didn't truly understand soft shell. And, until someone decided to compare it to hard shell, then suddenly for me miraculously a little light bulb went on and I understood it. And, we were able to actually sell the product after that. But, it was by not defining soft shell, but choosing to define soft shell against hard shell that made the most sense to us. And, the rationale for the success of those programs in our company was, we finally figured out a message that the consumer could understand. Whatever standardization we choose to take——whatever naming protocol we choose to lay on top of different market segments, please make them ones that the consumer can understand, and grab onto, so the consumer doesn't have to think too hard, so they'll be willing to open their wallets and spend money on the product.

JOHN ANDERSON – From a fiber standpoint, it's one of those things that would be nice to have, but I would agree hard to get those understandings that float back from retail, and make our job easier. I can think of a couple that make it interesting right now. What is micro-denier? Is it one denier or less? Is it less than one denier? Or, is it less than one half of one denier? You could probably find people in this room that would argue all three points. What is comfort stretch? If it's left vague out there, you get a many different interpretations. And, it's very easy to meet that kind of a standard.

The question about who puts it together, I don't know. I think that within the U.S. industry on the fabric end there are groups like AFMA. There's also ATMI. There are the various associations that could probably show some leadership in defining and building a glossary. And, I think that would be useful for everyone.

KATHY SWANTKO (MODERATOR) –During the first Panel, it was suggested that there may be the need for an Advisory Board to assist with product knowledge at retail. Examples given included the Gore and Patagonia retail education programs. Is there a need for a more generic Advisory Board? And, is this practical? And, if so, who should take the lead? (Pause—silence.) I've stumped them!!! (Laughter)

JEFF SMITH – I think it's just a matter of which one of us is going to throw their hat into the ring. I brought this up at the last Panel discussion. I think Gore has done a good job. John Hogan, who works with me at Blue Ridge Mountain Sports, has been on the Gore Retail Council since its inception. Assembling these cross-sectional Advisory Boards is a good thing. I think if you focus too much on any one segment of the chain, whether it be the fiber segment, the manufacturer, the retailer, all the way down to the end-user, you're going to not get the best results. So, the notion with Gore that you assemble readily available cross-sections, whether it be the manufacturer, or the retailer (Gore is obviously a producer in this example), and you put these people together and sequester them away for two to three days, that would be some significance to the industry. The one thing that I think would be absolutely paramount in this discussion would be including the consumer. If I had an opportunity to go to our customer base and say, we need three people—the consumer loves to be asked their opinion. It is so significant when you're on the sales floor, and you're having a discussion with somebody, and you look across this four-way of GoreTex jackets that all retail above \$400. And you say, "What do you think?" And, the consumer says, "I'll have one for \$99, and this is why." The retail advisory board would need to be focused, because the problem is too big. So, I think it should be broken down into measurable chunks. If you do that, in a year you may show some progress.

JIM FRAZIER – I actually think it's a really good idea, I'll be honest with you. One of my greatest challenges in this industry is trying to bring together a group who can really focus on several of the major underlying issues regarding innovation, which right now for us, I believe we've made sequential improvements. But, have we really changed how consumers are able to enjoy the outside environment. That's something that we need to look at really hard, because to increase the number of participants, we have to do that. And so, from the perspective of Marmot, we'd love to be involved— I'll be honest with you. And, I'm sure that there are other manufacturers who would love to be involved also. The difficulty is, deciding what would probably need to be set up in advance. You basically have to take your "brand hat" off. And, you have to sit in a room, and you have to be non-biased—and this is very difficult. You have to move the discussion more away from the brand discussion to more of a top line discussion as to "How do you grow this business?" And, "How do you define (as Jeff eluded to) those small critical issues?" And then, move through them. I believe that there are people in this industry that have this capability. And, some of you sitting here today are good candidates for that. So, I would actually support this full force!

DAVID PARKES – I would like to say, there's a very high level of communication between the fiber producer, the textile producer, and the brands. There's great synergy at that level. And, then it seems to break down. I come back to my point of getting to the retailer—educating the retailer, so that we can get the word through to the consumer. We, as yarn and textile suppliers, have wide open doors. And, if we want to work with the performance catalogs, they are yearning for information. They want as much information as we can give them, so that they can communicate that information to the consumer. And, of course, they have an ideal media to reach the consumer. The "big boys" like L.L. Bean and REI can get to the consumer through that medium. But, we have to find a way as a group—yarn, textile, and brand groups to get to the retailer. The retailer needs to open their doors much wider to this education, rather than frankly concerning themselves more with profit margin than with product.

JEFF SMITH – I would argue, it's the whole margin is what keeps the retailers' doors open. (Laughter)

TERRI PERLMAN – I totally support the idea of a supply chain Advisory Group or "Think Tank", etc. I also think that involving the consumer is extremely important, and is the thing that's often overlooked. And, I think the retailer is certainly a very important component of that. But, the buck stops at the consumer, and I think involving them is very important. And, I think that we have to be open to what they have to say. And, I think we might be very surprised at what they have to say. And, that's one side. I think at least for REI, I've never experienced a raw materials supplier approaching retail education. That's an interesting thought. I know, for our company, we've just formed a new group, and hired somebody on the subject of product education for our sales associates. And, they're here at the show. They are out speaking with manufacturers about product category, and product specific education, and are looking for partners. So, what I would toss out is that you're interested in that as it concerns our company, the timing is right, because there is a formative stage of trying to frame what the next phase of retail education for our company looks like.

KATHY SWANTKO (MODERATOR) – Moving on to another subject, it was mentioned at our last Panel of the importance of getting young people involved in the outdoor business, not as consumers, but as employees and workers in our business. The industry needs to encourage young people to become part of the business's future to take jobs with manufacturers, suppliers, and retailers. So, what does the industry need to do to draw in bright, creative individuals—the motivated people it needs to supply the ideas, and to help the industry ultimately grow and become stronger?

JEFF SMITH – Bright, creative, enthusiastic is not necessarily young. That's the first point I want to make. In our group, I'd rather have someone that is passionate, than someone who is 16. And, often times you can have someone who is passionate who is 16, not to exclude them. But, the notion that someone who is enthusiastic, excited to be there, active in outdoor sports, and has a true love for being outside, and doing the things we sell, that tops the list for me! I think that passion is absolutely contagious, and that's not just the characteristic of someone who is young.

Kathy: But, is it important to get new people who are young?

JEFF SMITH – From a longevity standpoint, absolutely! That's a profoundly important component. I just don't want to have—or, I would hate to have an organization take a pass on somebody, just because they're not 22. It's the ability to be passionate and grow your business that's the purpose in your hiring. Bringing somebody in who is 16, 18, 20, 22,24—those are all things that will give you longevity in the industry. But, one of the things that I reflected upon since the last Panel was that we did spend a lot of discussion time about an age group. And, what it came down to for me—it was not about the age. It was about the interest that somebody had in being in this business. I can tell you that some of the best sales associates on the sales floor have come from our customer base. And, we have more than our share of people working on the sales floor within our company, who are on their second career. They've been through a job for a period of time and retired, and have come on to the sales floor since then. I don't know how to articulate well this notion that passion equals young.

JOHN ANDERSON – I think that there is an opportunity for outreach. If the issue is how do we get young people in at things like textile schools and business schools. I think that whether it's at the business school level or the textile schools, who are trying to re-invent themselves, I'm not quite sure what they're going to do in the world of global sourcing. I think it would be very interesting to hear speakers in the industry talking about job opportunities, talking about what the future looks like from their standpoint. Otherwise, some of those very fine institutions are just going to disappear from this country.

TERRI PERLMAN – I agree 100 percent! I want to mention two things: I don't know how many people attended the OIA Industry Breakfast yesterday morning, so now I'm wearing my "OIA hat". I think there were some very interesting things brought to light, regarding young people, whether it's taking our own kids out and mentoring, or at REI we have some programs where we go out into the schools, elementary schools, etc. Certainly, it's planting the seeds of getting our message out about the outdoor industry, and the opportunity it holds. And, if they get interested in becoming participants, perhaps they'll become interested in having a career in the industry. That's one thought. The second thought is about your point about the universities. I had the opportunity last spring—I was asked by the industrial design department at the University of Washington to come down and participate, and be a mentor for a quarter for an industrial design class. They had decided to focus on outdoor gear as a project for that quarter. And so, we've sort of established a relationship with a couple of professors in the business school, and the industrial design school. And, that was time very well spent! It was an eye-opening experience for me! I totally agree, the opportunity for the industry to get out into higher education, and to just talk about what we do, and how we got into the industry in order to build this bridge is a really important thing. And, it's very insightful, and very stimulating! You can get as much out of it as you put into it!

JEFF SMITH – Maybe we're on to something here! I lecture at the Darden School/the graduate business school at the University of Virginia. And, I do ethics and entrepreneurship. And, this one entrepreneurship tract that they do, they'll have somebody come in and talk to them about marketing of toothpastes, etc. And, by the time they get around to having someone come in and talk about how passionate they are about what they do for a living, and they find out that there is an alternative to working for some huge corporation somewhere, being employee #673, the lights go on!! We have had any number of folks from the class over the three years I've been doing this, that come up to you immediately after the class, and want to talk to you about how they can get involved in this business. Maybe that's an opportunity for us to focus on—some recruitment at the graduate school level.

JIM FRAZIER – I'm going to take that one step further. One of my great challenges now is always finding good people to work at Marmot. And, I'll be honest with everyone in this room, the opportunity that we have is to actually have a pool of people that can rotate or can work through multiple companies in a period of time. I'd love to have someone come out of retail for a month and work,—maybe running the litmus test for us to see if a product is commercially viable. And then, go out to work in a fabric supplier for a month to see, "Is a fabric development for a specific product, or even a range of products viable for our industry?" I would challenge this group here—it's worth trying to fund some sort of internship for summertime, or for even a full year for a group of candidates, because the challenge we all have is that none of us are from giant companies. We can't do it in a singular form. I know, speaking from Marmot's perspective, I've looked at it numerous times and have not been able to finance it. So, I would challenge the group here, for a small contribution by all of us, we could actually develop a really qualified pool of great leaders over the next 10 years. And, the only way that you gain that experience unfortunately is by having to "cut your teeth" working in not only retail, but in manufacturing, in sales, in development. And, then you'll have a full understanding of what has come forth to bring true innovation to the market.

DAVID PARKES – Three quick things: We're based in New Jersey. We have an on-going program with FIT (Fashion Institute of Technology) in New York. We work with the textile department there. That's our outreach and our involvement. FIT students are here at the show. They're all very energized. FIT actually has a display in this building. So, the other Panel members say, "Get involved with the young people—get involved with the universities and textile schools. That is very rewarding to us.

It's a lot of fun. And, these young kids are certainly highly motivated. The good news to me also, and I made a point of this yesterday, just standing and looking around. The industry has aged, and I certainly have—I've probably been around here longer than anyone in this room. But, I looked around for five minutes, and I saw a high percentage of young people. Very often it's said—10, 15, 20-years ago, when this industry really started to mature, it was all young people. A lot of us have matured through the industry. But, there are a lot of young people out there. The industry has tons of energy. Again, trying to be optimistic about what's happening, I think we have a lot of young people now in the industry—where five or six years ago we were concerned concerned about that. The third point that I would make is that the OIA has a strong working relationship in Washington. This is a huge challenge. But, maybe we should be looking at how can we work in Washington? How can Washington help us over the next 10 to 15 year goal? There is so much talk about improving education and outdoor activity. Well, let's get into Washington and work with them to get support—to get these teen agers out of the living room and into the hills and fields. And, I think OIA can help us here, because of their strong working relationship in Washington.

KATHY SWANTKO (MODERATOR) – After you get the young talent into the business, how do you keep them? How do you nurture them? How do you keep them involved with the industry?

JEFF SMITH – Just as you do with anyone else, you keep the job fun! After all, I imagine that they get into this, because they enjoy doing the things that we sell. So, let's give them the opportunity to get outside and do the things that we ask them to sell to the consumer. That's kind of the beginning point for us. The second point is to give somebody the opportunity to really contribute. If they've got an idea, give them the opportunity to either excel or fall flat on their face. The best lessons, often times come from the failures that, as we have in our organization, you can mess up on this once. If you try this thing and it doesn't work, that's okay. Fail once, but please don't fail twice. That's a painful lesson that can get a little expensive. But, often times, you'll find that with talent, if you give somebody the opportunity to make a difference, contribute, enjoy their environment, they're going to stay.

JIM FRAZIER – I'll agree with Jeff on that. I'll be honest with you, one of the greatest growth mechanisms that I've found in the last 10 years is: Give people the opportunity to challenge themselves. They may be really good in something, but they may not be as developed in other areas. And, one of the things we do at Marmot, I actually move people quite often into areas that they're maybe not quite so comfortable with, and give them the opportunity to rise to the occasion. That is one of the things—the intelligent human beings that we are—that they really respond well to. So, someone may be really good from an outerwear perspective, but may not have ever worked in knit goods. So, give them the opportunity to work in knit goods. I know other companies have rotations. One of the things that I would challenge this group to do is within your own organization, have somebody sit in multiple chairs. At least for one day each year, have somebody work in customer service. Have somebody work in warrantee. Have somebody work in the warehouse. I know, for me, it's probably one of the most eye-opening experiences to have to actually pack boxes and to understand how picks get done wrong, because I usually do them. I do them wrong. That's why they keep me out of the warehouse. (Laughter)

JOHN ANDERSON – On the innovation side, we found that we get our best results when we let a team get in place, or let an individual get in place, and see a project through on an idea from start to finish. If it's your idea and you're qualified to do it, you can get a chance to sink or swim with it. And, that's a real eye-opener, and a real business education for a lot of people.

KATHY SWANTKO (MODERATOR) – Just to follow-up on the innovation question, and the fact that it was mentioned at the last Panel that the Europeans are doing a better job at promoting sports and promoting performance fabrics than we are doing in this country. Is there anything specific that they are doing in the European market that we should be doing here?

DAVID PARKES – I think that we have to look at what's happening at ISPO. I'm going to ISPO tomorrow. One reason that I'm going is to find out exactly what is going on. The ISPO Show seems to be reaching out, and has some new models that they're putting on the table to stimulate interest in that category. And, that's certainly on thing that we have to look at. ISPO is very pro-active right now in taking this business to a different level. I'm not sure what they're doing, but I'm going to try to find out.

JEFF SMITH – I was at ISPO last summer, and they formalized a program that's an internship program, whereby you can go into a kind of retail fast-track with ISPO and you receive a certification of sorts in the industry. So, you would start when you are 15 or 16 years old, and work at a retail store. And, eventually you work through enough segments of the business, just as we've spoken about earlier, where you have this set of certifications and it qualifies you to work inside the industry in a variety of functions.

Kathy: Could that be something that could be developed with colleges and universities here?

JEFF SMITH – Perhaps it's something that could be developed here. But, they're choosing a different level of entry there, than colleges/universities. I'll be anxious to hear what David finds out in his trip to ISPO. But, it may be something that we should take a look at.

TERRI PERLMAN – It could be something that OIA or an industry-wide thing that would award a trade-certification within the supply chain of the industry.

JEFF SMITH – The group that manages the internship process there is a federation. It's the organization that runs sort of the OIA of ISPO.

KATHY SWANTKO (MODERATOR) – We will have to follow-up with this issue at the next Panel, since we just have a few minutes before the Show opens.

In closing, I'd like to thank the Panel for sharing their expertise. Their passion and enthusiasm for our industry is really apparent. I also want to thank our sponsors and to all of you who have come today. Although we may be in different businesses, we share common goals, as well as common problems.

You all understand that for our industry to survive and grow, it needs our pro-active support. This Panel is one step in that process. Within the next several weeks, the text of today's Panel will be available in pdf format for downloading from TheTechnicalCenter.com web site. The pdf file from the August '03 Panel is available now.

Before leaving, please take a few minutes to fill out the gold opinion sheet that you received when you arrived. Give us your reaction to the Panel and provide ideas and suggestions for future Panels. The completed forms can be left at the back table.

I also invite you to visit FabricLink's Technical Center, where you can find the newness needed to drive the performance market. TheTechnicalCenter.com, the performance market's link to innovation! Going forward, we will be evaluating this transcript, and determining any action items that can be taken from our discussion today. Thanks again for coming, and have a successful show!! We hope to see all of you again in August for our next Industry Panel!

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