

Down Trend in Deckers' UGG Boots Will Only Worsen

Companies: COLM, DECK, VFC, WWW

May 13, 2015

Research Question:

How has Deckers' UGG brand performed compared with late 2014 and year-to-year?

Summary of Findings

- Deckers Outdoors Corp.'s (DECK) [UGG](#) has continued to become less popular among its key demographic of younger women since Blueshift Research's [Oct. 8, 2014, report](#) first identified potentially waning demand for UGG shearling boots and our [Dec. 17, 2014, update](#) found a weakening performance for the brand.
- Supplier and manufacturer sources have unequaled views into the important fall/winter boot season, and all foresee weakness for UGG boots. Our shearling supplier sources, a major UGG manufacturer in China, and one-half of store sources said UGG and shearling boots in general have become less popular year to year.
- Shearling suppliers said UGG's orders have declined 20% to 30% year to year, while the UGG manufacturer source said sales are down 15%. These sales represent shearling for UGG boots that will be on retail shelves by fall 2015.
- In our SurveyMonkey poll of 230 U.S. women 18 years and older, the key demographic of those ages 18 to 29 believe UGG's popularity will decline this coming fall and winter. Instead, younger respondents said [Dr. Martens AirWair USA LLC](#), Wolverine World Wide Inc.'s (WWW) [Sperry Top-Sider](#) and Columbia Sportswear Co.'s (COLM) [Sorel](#) are gaining in popularity. Respondents ages 30 to 44 expect UGG demand to be stable, while those 45 and older said the brand will become more popular.
- Store sources had mixed views on the UGG brand. Three of the six cited decreases in its popularity and sales, which were down in the double digits. The remaining three said it had maintained or slightly improved its demand and sales.
- Lambskin prices have fallen so much that the material now is cheaper than the wool on fabric recently used by UGG as a cost-saving measure. A pelt now is \$10 to \$12, the same as six months ago but down 20% to 30% year to year.
- One supplier source said UGG was considering moving production out of China and to two shearling-only factories. The brand may return to its high-quality shearling roots now that shearling prices have stabilized at lower rates.

Silo Summaries

1) Shearling Suppliers

Both sources said the shearling boot trend continues to lose steam in the United States and that their own sales to Deckers have declined year to year despite pelt prices being 20% to 30% lower year to year. One said sales to Deckers are 50% lower year to year for shearling that will be used in boots hitting stores from now until the end of 2015. A pelt is now \$10 to \$12, and pricing has been stable during the past six months.

2) Manufacturers in China

This source, one of UGG's major manufacturers, said the brand has become less popular year to year. During the past six months Deckers' orders have declined 15% year to year for boots hitting the market in the fall/winter. Shearling prices remain low, down 60% year to year. In China, UGG faces more competition from brands offered via direct mail and online.

3) Stores

Three of these six sources said UGG's popularity is in a down trend; UGG sales have fallen by at least 10% for two of these three sources and have been nonexistent since January for the third source. A fourth source reported stability in UGG sales and demand year to year. The remaining two sources said UGG sales are up, with one saying the increase was in the low single digits; only one of these two commented on UGG's popularity, which was described as increasing. Sources voiced few concerns about UGG inventory and said discounting was limited to older styles.

4) SurveyMonkey Poll

Blueshift Research's SurveyMonkey poll of 230 U.S. women 18 years and older found a discrepancy in the views of UGG throughout all age groups. Younger respondents, UGG's most important demographic, were more negative than their older counterparts regarding the brand's current and future popularity. UGG still is viewed as the most popular boot brand overall and is expected to be the top boot brand for the 2015-2016 fall/winter season.

Deckers Outdoor Corp.'s UGG Brand

	UGG Popularity	UGG Sales 1H15	UGG Sales Fall/Winter 2015-2016
Shearing Suppliers	↓	↓	↓
Manufacturers in China	↓	↓	↓
Stores	→	N/A	N/A
Poll: 18- to 29-year-olds	↓	N/A	↓
Poll: 30- to 44-year-olds	→	N/A	→
Poll: 45 and older	↑	N/A	↑

Background

Blueshift Research's [Oct. 8, 2014, report](#) first identified the potential waning of UGG's popularity. At the time, only two of eight store sources said the brand's popularity was increasing; the remaining stores and a supplier claimed its popularity was either flat or declining. In our [Dec. 17, 2014, update](#), nine of 10 sources said UGG's popularity was either declining or staying the same. They said Dr. Martens and VFC Corp.'s (VFC) [Timberland](#) had become more popular.

In the [comments section](#) of a fashion article questioning *Vogue's* claims that UGG was back "in," 29 readers agreed with *Vogue*, 31 said the brand was done, and 14 said UGG was neither in nor out but good for around the house.

In January, Deckers missed its net sales expectations of 10%, instead reporting a meager [6.6% increase](#), which caused the stock to plummet 17% in one day. Deckers then lowered its 2015 forecasts. On April 15, [Deckers announced the departure](#) of UGG president Connie Rishwan. The UGG brand accounted for 93% of Deckers' sales in the quarter.

Wall Street enthusiasts and Deckers offered the following reasons for the brand's poor third-quarter performance: an UGG inventory shortage, failure to [account for FX impact](#), high comps, and an unexpectedly slow October and November. Some UGG zealots also believe the brand, having been around for more than 35 years, is in a category of its own and immune to fashion swings.

Current Research

In this next study, Blueshift Research assessed UGG's performance since our findings of weakness in the fall and winter of 2014. We employed our pattern mining approach to establish five independent silos, comprising nine primary sources (including four repeat sources), a SurveyMonkey poll of 230 U.S. women, and five relevant secondary sources focused on UGG boots' declining popularity, apparel companies moving their production out of China, and the fashion industry's increased use of shearling:

- 1) Shearling suppliers (2)
- 2) UGG manufacturers in China (1)
- 3) Stores (6)
- 4) SurveyMonkey poll (230 U.S. women)
- 5) Secondary sources (5)

Deckers Outdoor Corp.'s UGG Brand

Next Steps

Blueshift Research will continue to monitor shearing prices as they are an indicator of UGG demand. We also will gauge sales of UGG's other footwear styles, including sandals. Finally, we will determine whether Deckers will resume making shearing-style boots out of higher-quality material now that prices have stabilized at \$10 to \$12 per pelt.

Silos

1) Shearing suppliers

Both sources said the shearing boot trend continues to lose steam in the United States and that their own sales to Deckers have declined year to year despite pelt prices being 20% to 30% lower year to year. One said sales to Deckers are 50% lower year to year for shearing that will be used in boots hitting stores from now until the end of 2015. A pelt is now \$10 to \$12, and pricing has been stable during the past six months.

Key Silo Findings

UGG Popularity

- 1 of 2 said popularity of UGGs and all shearing boots continues to decline.
- 1 said shearing boots overall have become less popular in the United States but still are in demand in Eastern Europe.

UGG Sales

- Both said shearing sales to Deckers are down year to year.
- 1 said sales are down 50% year to year for shearing that will go into boots from now until the end of 2015.

UGG Inventory

- Both believe inventory is aligned with demand.

UGG Pricing

- Price per pelt is 20 to 30% lower year to year.
- Each pelt is \$10 to \$12.
- Prices have been stable during the past 6 months.

1) Managing director of a major Australian processor and exporter of sheepskin/shearling; repeat source

Deckers' UGG boots continue to become less popular in China and Australia, but the decline is less about the brand and more about the shearing boot trend losing momentum. The purchase of raw material for UGG boot production has dropped by 50% this season, which relates to boots already produced and hitting store shelves now. Shearing prices continue to fall. The price for an Australian sheepskin is U.S.\$10 to \$12, a 20% to 30% drop year to year.

UGG Popularity

- "Popularity in China and Australia is still dropping. China is holding up a little bit better, but popularity is still falling.
- "This is not brand issue with regard to popularity. It is more about the fashion of shearing boots, which is running its course."

UGG Sales

- "Sales [of raw material] for UGG boot production are down by over 50% this season. These would be for the shearing boots hitting stores from now until the end of the year."

UGG Inventory

- "UGG inventory is well managed as it is produced on contract. Since they do not have factories, they can manage their stock easily."

Sales [of raw material] for UGG boot production are down by over 50% this season. These would be for the shearing boots hitting stores from now until the end of the year.

Managing director of a major Australian processor and exporter of sheepskin/shearling; repeat source

Deckers Outdoor Corp.'s UGG Brand

- “Our production and inventory have been diverted away from UGG production, and accordingly our inventory remains low and stable.”

UGG Pricing

- “Prices are significantly lower year to year. They are around [U.S.]\$10 to \$12 per skin, which would be 20% to 30% lower than last year and 75% down from the peak in 2011.”
- “We believe prices will remain low.”
- “Shearling is now [U.S.]\$10 to \$12 per skin and has been at that price since the end of 2014.”

Oct. 8, 2014: UGGs had become less popular in Australia and were considered a passé product. Sales were steady in China but most likely were declining in developed nations, where the shearling boot trend was beginning to wane. Sheepskin/shearling sales and demand for 2014 were 10% lower than in 2013, which the source blamed on an increasingly weak economy in many markets. Deckers' inventory management likely had improved in the prior 12 months in light of lower demand. Stock inventories were lower at the manufacturers' level because they were working off existing stocks and buyers were cautious in purchasing. Sheepskin/shearling prices were down 20% to 40% year to year.

2) President of a global supplier of sheepskin/shearling based in United States; repeat source

This supplier has sold fewer pelts to Deckers in the past year. Deckers adjusted its production strategy when shearling prices were high several years ago and now makes more boots from wool on fabric rather than from shearling. He does not know whether Deckers intends to return to using shearling now that pelt pricing has fallen from \$25 a year ago to \$5 now. Demand for shearling boots in general remains strong in Russia and Turkey. Deckers is still the No. 1 brand name, but others may be gaining ground. The company appears to be rethinking production in China, and has met with manufacturers in Turkey and Mexico known to work only with shearling.

UGG Popularity

- “You could argue that if they have seen a decline in sales and popularity in certain regions, it might have to do with the switch to synthetic materials or the wool on fabric. Or is it because the shearling boot fad has come to an end? I don't know the answer.”
- “In the U.S., I think Deckers is the No. 1 brand name, even here. But my guess is that they are not the hot item they used to be. However, in our coldest climates, it is not just a fad. ... UGG remains a legitimate option. But I don't think it's the craze it was four years ago. I also don't think we'll see Deckers disappear.”
- “Demand is pretty good in Eastern Europe, not necessarily for Deckers' UGGs but for shearling boots.”
- “I was in Turkey for a conference in mid-April and took some pretty good orders for shearling. I would say demand is good, not necessarily from Deckers but the overall demand for shearling is still good in Europe. The shearling boot is still fashionable in midmarket economies like Turkey and Russia. I don't know whether the shearling boot is popular in London, Paris, New York and Milan.”
- “I know of one large house in China [a Deckers competitor] that sells a lot of shearling, and they track Deckers very closely. Three months ago they told me Deckers is doing quite well and that Deckers is still No. 1 in china.”
- “I suspect that in growing third-world countries or [second-tier] economies outside the very richest economies, Deckers is still No. 1. Whether Deckers lags in the States or is on its way out, I don't know. I would say they are still considered the boot to buy in certain areas such as Turkey and Russia, and Deckers has penetrated those markets.”

UGG Sales

- “We are definitely supplying [Deckers] with less product. We do not sell directly but sell to our customers who buy from them.”
- “They could be being less raw material because they went more into the woven-wool category sometime around when shearling prices were high.”

UGG Inventory

- “I would say they have enough inventory of shearling. They don't have too much or too little. But I can't speak to the inventory of the other raw materials. They did shift their program and production away from shearling to wool on a cloth fabric for more of the production.”
- “They shifted to other materials when shearling was expensive and it was cutting into their profit and they were not saving enough. They adjusted

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President of a global supplier of sheepskin/shearling based in United States; repeat source

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their raw material buying pattern. The material is wool glued onto fabric, and if it is done right, it looks like shearling.”

- “We did sell them some material last year, and it shipped to them in November of 2014. It was a fairly decent amount [of shearling] that they requested. We went back to them in February of this year to determine if there was more demand for the lambskin/shearling, but they said they had sufficient stock. ... They apparently have better control of their inventory.”

UGG Pricing

- “The irony of the switch to cheaper material [wool on fabric] is that lambskin is cheaper now.”
- “When lambskin was at its peak, it cost \$25 per [skin]. That was about two to three years ago. The prices are much lower now. Lambskin is about \$5 to \$6 per unit. The trouble is they can’t just flip a production switch and suddenly go back to shearling. They may be looking at doing that, and they may get back into shearling because it is now cheaper.”
- “Shearling costs 20% less than it did a year ago. The material purchased a year ago was for product that will be on store shelves in November. That material would have been bought in the winter of 2014, then processed and shipped in November–December, and arrived in China in January.”
- “The buying cycle begins in the winter, usually January or February, but you can buy as late as April if the correct raw materials are available. It is possible they are buying some of the better-priced shearling lambskins now for boots that will sell in 2016. But they are not buying it from us.”
- “There are a number of factors contributing to the lower price of skins. There is the situation in Russia and the value of the ruble. In January 2014, the exchange was 30 rubles to the dollar. A month ago it was 65 rubles to the dollar, and now it is about 50 rubles to the dollar. Russia imports and buys a lot of lambskin. It is a fur culture with a middle-class economy, so lambskin is a substitute for [more expensive] fur. When their currency rose against the dollar, we had to cut the cost of skins in half.”
- “The other factor was that Deckers stopped using shearling either because the synthetic was cheaper, shearling was less popular, or some combination of the two. Overall demand for shearling, especially from Deckers, had declined. The strength of the Australian dollar also was less, and a lot of the prices are set by the Australians. Finally, as you mentioned in an earlier report, a lot of the tanneries in China closed down so there were fewer little guys stirring up the market. It’s controlled pretty much by a few manufacturers.”
- “Shearling and lambskins are cheap right now. In theory it could set things up for returning to the material and getting substantial margins. It depends on whether Deckers is motivated to buy. Right now I would say their margins are still healthy, even if sales are flat.”
- “They could be planning to buy more heavily into shearling again. I do know that they are looking around for new production options with a firm in Turkey and one in Mexico. They met with the Turkey firm at the mid-April conference, and I believe they also scheduled a meeting in Mexico. They are playing around with sourcing production outside of China. Whether they are just looking or whether they have actually signed contracts, I don’t know. They are interested in expanding the number of people who produce footwear for them. I also know that the boot plants in Turkey and in Mexico use only shearling in their production, rather than wool on fabric.”

Oct. 8, 2014: For the previous year and a half, Deckers had not purchased any raw material/shearling even though prices were slowly dropped. Instead, Deckers was working off inventories, reducing product that was made from raw materials when the prices were extremely high. The source was told Deckers was replenishing its thinned inventory, but he could not confirm this. Either way, skin supplies were in an end-of-season lull. Prices had dropped in the prior few months to roughly \$12 per skin, half of what it was a year ago. Price declines were partly due to China’s crackdown on industrial polluters, which had taken small to midsize manufacturers out of the mix.

2) UGG Manufacturers in China

This source, one of UGG’s major manufacturers, said the brand has become less popular year to year. During the past six months Deckers’ orders have declined 15% year to year for boots hitting the market in the fall/winter. Shearling prices remain low, down 60% year to year. In China, UGG faces more competition from brands offered via direct mail and online.

Key Silo Findings

Deckers Outdoor Corp.'s UGG Brand

UGG Popularity

- UGG has become less popular year to year and will continue to decline in demand through 2015.

UGG Sales

- During the past 6 months orders from Deckers have decreased 15% year to year.

UGG Inventory

- Inventory is higher year to year and compared with 2014, given the drop in demand.

UGG Pricing

- Shearling prices are down 60% year to year for boots that will hit retail shelves this fall/winter.

Other

- UGG has more competition in China than a year ago.

1) Sales manager of a UGG manufacturer in China; repeat source

UGG demand outside of the United States has declined year to year because of warm winter and the brand's own drop in popularity. Tod's S.p.A.'s (BIT:TOD) [Tod's](#) boots are more popular now. Deckers' orders during the past six months and for fall/winter are down about 15% year to year. Inventory levels are higher year to year and compared with fall 2014. Shearling used in UGG footwear is priced 40% lower than last year.

UGG Popularity

- "UGG's popularity/demand outside the U.S. is decreasing compared to last year. ... Also, as a fashion item, UGG's popularity is much worse than a few years ago."
- "UGGs are losing popularity so far in 2015 in the U.S. compared to fall 2014 because it is not as fashionable as a few years ago. I think Tod's boots are more popular now."

UGG Sales

- "Orders for fall/winter are decreasing about 15%. The major reasons are warm weather and decreasing popularity."
- "The orders from our buyers were lower over the past six months compared to last year. Whether in China's market or in global markets, their sales were not satisfactory. Hence, our orders decreased. I think they fell about 15%."

UGG Inventory

- "According to the current inventory situation, we have a little bit too much inventory in terms of demand. Most of the excess is from last year's storage."
- "Our inventory levels are higher compared to this time last year and compared to fall 2014. The major reason is the declining sales have led to excess inventories."

UGG Pricing

- "Shearling prices for UGG footwear that hit stores this fall were down compared to last year. The high-grade shearling prices for UGG footwear are only 40% of last year's prices."
- "Shearling prices for UGG footwear that will hit stores this fall/winter will continue to be down compared to last year."
- "More and more famous stores have opened a direct mail business to China or online stores in [Alibaba Group Holding Ltd.'s/BABA] [Taobao](#). Their prices are cheaper than in China's domestic [retail] sales channels. This will impact UGG's fall/winter sales in China."

UGG's popularity/demand outside the U.S. is decreasing compared to last year.

*Sales manager of a UGG manufacturer;
repeat source
China*

Orders for fall/winter are decreasing about 15%.

*Sales manager of a UGG manufacturer;
repeat source
China*

3) Stores

Three of these six sources said UGG's popularity is in a down trend; UGG sales have fallen by at least 10% for two of these three sources and have been nonexistent since January for the third source. A fourth source reported stability in UGG sales and demand year to year. The remaining two sources said UGG sales are up, with one saying the increase was in the low single digits; only one of these two commented on UGG's popularity, which was described as increasing. Sources voiced few

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concerns about UGG inventory and said discounting was limited to older styles.

Key Silo Findings

UGG Popularity

- 3 of 6 sources said UGGs are less popular year to year and are in a down trend.
- 1 said UGG's popularity is stable.
- 1 said UGG is gaining popularity year to year.
- 1 had no comment on the brand's popularity.

UGG Sales

- 2 said UGG sales are down 10% to 15% year to year.
- 1 hasn't sold any UGGs since January.
- 1 said sales are steady year to year but were down in the first quarter compared with the fourth quarter of 2014.
- 2 said sales are up in the low single digits year to year.

UGG Inventory

- No major inventory concerns were raised.

UGG Pricing

- 2 said discounting is limited to older styles.

Other

- 1 said Timberland and [Ecco Sko A/S](#) have done particularly well this season.
- 1 source from [The Walking Company](#) said the store was promoting its own [Abeo](#) brand rather than UGGs.

1) Dillard's sales associate, Missouri; new source at repeat location

UGG boots remain popular, but sales in women's styles are down from a year ago and from last fall because of knockoff brands and a mild winter. UGG's men sales have not changed much from a year ago. Timberland and Ecco boots now represent more competition this year for UGG.

UGG Popularity

- "UGGs are still popular but maybe not much as last year. People are buying more of simulated brands now. They look a lot like UGGs and are much cheaper."

UGG Sales

- "UGG sales so far this year are not as good as a year ago at this time. We are down about 10% to 15%, I would guess. This was not a cold or snowy winter, so that hurt sales."
- "Sales for this year are also down slightly from fall of 2014. People wait for discounts, and then sales go up."
- "Sales in men's are about the same as last year. Sales in the fall were softer than for the first few months of this year. Sales could improve because we have sandals we didn't have an opportunity to move last year. People also have liked the removable insole on some styles, such as the slippers. You can take out the fur one and replace it with the leather insole in warmer weather. That extends the wear too."

UGG Inventory

- "The inventory is about right. We have what people ask for."
- "Inventory would be about the same as last year at this time but lower than in fall."

UGG Pricing

- "We marked down the older styles. The newer styles don't go on sale."

Other

- "No brands compete well with UGGs in their market overall. In strictly boots Timberline did well this year, and Ecco boots sell well all year."

UGG sales so far this year are not as good as a year ago at this time. We are down about 10% to 15%, I would guess.

*Dillard's sales associate; new source at repeat location
Missouri*

No brands compete well with UGGs in their market overall. In strictly boots Timberline did well this year, and Ecco boots sell well all year.

*Dillard's sales associate; new source at repeat location
Missouri*

Deckers Outdoor Corp.'s UGG Brand

2) Dillard's sales associate, Missouri

UGG boot sales were down about 10% this year, following an every-other-year pattern. Sales of UGG sandals and the brand's other spring and summer shoes are slightly better than at this time last year.

UGG Popularity

- "People still like UGGs, but in the boots we noticed that sales are down one year and then up the next. This was a down year. I don't think any particular brand is taking sales from UGG's boots. The sandals and other shoes have been doing better this year."

UGG Sales

- "Sales of the boots were off about 10% this year compared to last year. We checked the records recently. A year ago they were up from the prior year. Weather does play a role. We had little snow this winter."
- "Sandals and other UGGs shoes are selling a little better so far this year than last year. The new sandals fit better than previous shoes. The other ones were not cut right, and people complained about the fit. I told that to the sales rep for UGGs. This year the sandals are moving but not nearly as well as other brands due to price. These are \$60, and a pair of Sperry sandals is \$30. Our best-selling sandals are [Deckers'] [Sanuks](#)."
- "Sales in men's are about the same as year ago. Dillard's didn't order any men's boots this winter. People came in and looked for them, but we had none. I guess the store didn't see them as good sellers. We had decent sales of [UGG] slipper styles and the [\[men's\] Leighton \[casual\] boots](#)."

Sandals and other UGGs shoes are selling a little better so far this year than last year. The new sandals fit better than previous shoes.

*Dillard's sales associate
Missouri*

UGG Inventory

- "Inventory has been accurate. We had a good flow, much better than last year."

UGG Pricing

- "Prices have remained stable in men's and women's. We only have sales on outgoing styles. UGG is the only brand that doesn't let us do our own markdowns."

Reporter Observations: On a weekday afternoon UGG boots still were available in a wide variety of styles, positioned in the middle of the store's vast women's shoe selection but still relatively near the aisle. UGG's sandals and other spring shoes were closer to the aisle. A small selection of men's UGGs was displayed near the rear counter in the men's shoe department. No sales were being offered, and no customer was looking at UGG shoes.

3) The Walking Company sales associate, Southern California; new source at repeat location

UGG sales through winter were very slow, particularly after Christmas. In March the store dismantled the entire UGG women's display (previously half of a wall and a front-table showcase) as well as the small wall space for men's UGGs. The store has only a few pairs of UGG boots in the back, all women's styles, and it will order UGGs if requested by customers. The Walking Company is pushing its own Abeo brand of ortho-supported casual footwear and booties.

UGG Popularity

- "UGG seems to be fading out a little, but I've only been here six months."
- "My guess is the UGG boot is becoming less of a trend. If the UGG stores are doing well, it's likely because they are pushing the spring and summer styles and not selling that many boots."

My guess is the UGG boot is becoming less of a trend.

*The Walking Company sales associate;
new source at repeat location
Southern California*

UGG Sales

- "We didn't sell as many of the UGG for women once we got through Christmas as we did leading up to the holidays. So far this year we haven't sold any since January that I'm aware of."

UGG Inventory

Deckers Outdoor Corp.'s UGG Brand

- “We took down all the UGG displays and replaced them with the Abeo displays, and we’ve added more of the [Danskos](#). Those are extremely popular. We are one of the largest Danskos retailers out there, so people come in for those.”
- “If someone wants a pair of UGG boots, we will order them. And we have a few of the ladies’ boots in back, but that’s it. .”
- “I know the men’s were never that popular, but we don’t have any in the back right now.”

UGG Pricing

- No comment.

Reporter Observations: We noted no UGG displays. The store was slow for a Saturday afternoon. Abeo sandals and wedge dress shoes were prominently displayed.

We took down all the UGG displays and replaced them with the Abeo displays. ... I don’t think we’ll be carrying any UGGs again until fall, and I’m not even sure how big the inventory for it will be.

*The Walking Company sales associate;
new source at repeat location
Southern California*

4) UGG store sales associate, Southern California

UGG sales through January and February were strong but not as high as they were during the holiday season. The new spring line of women’s sandals are selling well, but the biggest sellers are UGG’s new men’s [Treadlite](#) shoes and casual boots. The store was pushing the light-blue-and-white short UGG boots as a summertime beach campaign, with a video loop of summer beach parties and UGG-wearing actors. Pricing on the traditional boots has not changed.

UGG Popularity

- “People still come in for the boots. They are buying them for trips, and we get a lot of families in this store who come to buy boots together.”
- “I don’t think the boots are as popular in California in summer as they are in other parts of the country. But they are made for the beach, so we have seasonal shifts.”

UGG Sales

- “UGG is doing well. We met our numbers for the season. I’d say we were even, but we sold more of the traditional boots prior to Christmas than we did at the start of the year.”

UGG Inventory

- “The inventory is the same for the boots, but we have added in to that a few of the newer styles and colors for the spring and summer months. We haven’t really cut down on what we offer in the store.”
- “We have more of the dress shoes for men and women as well as sandals.”
- “The best-selling shoe in the store right now are the men’s Treadlites. The men love them. They’re more of a shoe than a boot, like a desert boot. They are lightweight and very comfortable.”
- “We’ll see fewer of the traditional boots being sold through July, but in August and September we tend to see that change as we get into fall.”
- “The company is doing a very good job of offering newer styles and fabrics that correlate to the seasons, so we aren’t just a winter boot store. We have really high-quality shoes for men, women and kids for every season.”

UGG Pricing

- “I haven’t seen any shifts in pricing for the traditional boots. I think they generally have stayed the same for a few years, with the exception of some of the seasonal styles with the bling and other accessories.”

Reporter Observations: During our Saturday visit, boot inventory seemed to be just as full as it was in December, with some newer styles with lightweight fabric mixed in with Classic styles. No customer was present during our visit despite big crowds in other parts of this outdoor mall. However, one man in his mid-50s came in toward the end of the interview and was interested in the UGG Treadlites.

5) Assistant manager for a privately owned chain, Georgia

Deckers Outdoor Corp.'s UGG Brand

UGG's popularity rose in the fall of 2014 and has since remained constant. Sales were flat during the first quarter of 2015 compared with fall 2014. The store increased its UGG inventory to meet demand expectations for fall 2014. Current inventory levels are satisfactory. The store discounts only old, discontinued UGG styles. Sales and popularity of UGG men's slippers have increased.

UGG Popularity

- "UGGs were just as popular this year [as in] the first quarter of 2014."

UGG Sales

- "Compared to fall of 2014 we sold a little more this year—probably between 2% to 5% more."
- "Sales so far for 2015 are about the same. We haven't really been in season, so mostly it's been exchanges from the fall."
- "2015 is not even comparable to fall of last year. We definitely sold a lot more in the fall than what we have sold this year."

UGG Inventory

- "Inventory is just right. Last year we had too little, but this year we adjusted it."
- "We have more inventory compared to this time this year."
- "We have more inventory than fall of 2014."
- "Sales for men's slippers is up about 10%."
- "The slippers are definitely more popular than they were last year."

UGG Pricing

- "The only thing discount in the UGGs line is really old, discontinued styles that we may only have one of in stock."
- "We only sell slippers in the men's line."

We have more inventory compared to this time this year.

*Assistant manager for a privately owned chain
Georgia*

6) Belk sales associate, Georgia

UGG's popularity has risen year to year, and sales are up 5%. Inventory levels were higher in the fall of 2014 but fell in the first quarter. Belk discounts UGGs but usually the more fashion-oriented styles. The store does not carry any of the UGG men's line.

UGG Popularity

- "UGGs were more popular than the previous year."
- "Younger kids are coming in asking for UGGs, which have increased in popularity. I would say preteens mostly."

UGG Sales

- "Sales are up about 5% this year compared to the same time last year."
- "We had more sales in the fall because the weather was cold and we had more inventory. Right around January we were out of stock."

UGG Inventory

- "We have too little inventory to meet the demands of our customers."
- "We have less inventory compared to this same time last year."
- "We had more inventory in the fall."

UGG Pricing

- "We discount UGGs. Currently it is the [Bailey Bow \[boot\]](#). Those type of shoes will typically go on sale before the Classic line."

Other

- "We don't carry the men's line in this store."

Sales for men's slippers is up about 10%.

*Assistant manager for a privately owned chain
Georgia*

4) SurveyMonkey Poll

Blueshift Research's SurveyMonkey poll of 230 U.S. women 18 years and older found a discrepancy in the views of UGG throughout all age groups. Younger respondents, UGG's most important demographic, were more negative than their older counterparts regarding the brand's current and future popularity. UGG still is viewed as the most popular boot brand overall

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and is expected to be the top boot brand for the 2015–2016 fall/winter season.

Respondents believe UGG was the most popular boot brand for the 2014–2015 fall/winter season, and will be for the 2015–2016 fall/winter season. Still, some respondents in all age groups expect UGG to be less popular during the 2015–2016 fall/winter season. Those ages 18 to 29 in particular expect UGGs to become less popular.

- UGG (48.3%), [L.L. Bean](#) (12.2%) and Timberland (10.9%) were the top most popular boot brands during the 2014–2015 fall/winter season. (Q1)
 - 45- to 59-year-olds viewed UGG as most popular during the 2014–2015 fall/winter season. (Q1, age filtered)
 - Younger respondents were more likely to say that Sperry were popular. (Q1, age filtered)
 - 30- to 44-year-olds were more likely than other age groups to view Dr. Martens as the most popular boot brand. (Q1, age filtered)
 - 45- to 59-year olds and those ages 18 to 29 were more likely to believe Timberland was the most popular brand. (Q1, age filtered)
- UGG (36.1%), L.L. Bean (14.8%) and Timberland (12.6%) are expected to be the most popular boot brand for the 2015–2016 fall/winter season. (Q2)
 - Compared with Question 1, some respondents in all age groups expect a lower level of popularity for UGG during the 2015–2016 fall/winter season. (Q2 compared with Q1, age filtered)
 - Compared with Question 1, respondents ages 18 to 29 believe Dr. Martens' popularity will increase in the 2015–2016 fall/winter season. (Q2 compared with Q1, age filtered)
 - Compared with Question 1, 45- to 59-year-olds believe Timberland's popularity will increase for the 2015–2016 fall/winter season. (Q2 compared with Q1, age filtered)

Overall, respondents said UGG's popularity has stayed the same compared with 2013–2014 fall/winter season, but younger respondents (ages 18 and 44) believe its popularity has declined. Those 45 and older believe its popularity has increased.

- Compared with the 2013–2014 fall/winter season, respondents believe UGG's popularity has stayed the same (41.6%). (Q3)
- 29% believe UGG's popularity has increased compared with the 2013–2014 fall/winter season. (Q3)
- 29.4% believe UGG's popularity has decreased compared with the 2013–2014 fall/winter season. (Q3)
 - 43.2% of those ages 18 to 29 believe UGG's popularity has decreased compared with the 2013–2014 fall/winter season, while 18.2% believe it has increased. (Q3, filtered by age)
 - 32.1% of those ages 30 to 44 believe UGG's popularity has decreased compared with the 2013–2014 fall/winter season, while 28.3% believe it has increased. (Q3, filtered by age)
 - 26.7% of those ages 45 to 59 believe UGG's popularity has decreased compared with the 2013–2014 fall/winter season, while 28.3% believe it has increased. (Q3, filtered by age)
 - 21.8% of those 60 or older believe UGG's popularity has decreased compared with the 2013–2014 fall/winter season, while 38.2% believe it has increased. (Q3, filtered by age)

Overall, respondents believe UGG's popularity will stay the same or increase slightly for the 2015–2016 fall/winter season, but those ages 18 to 29 believe the brand will become less popular. Respondents ages 30 to 44 believe its level of popularity will stay the same, and those 45 and older believe its popularity will increase.

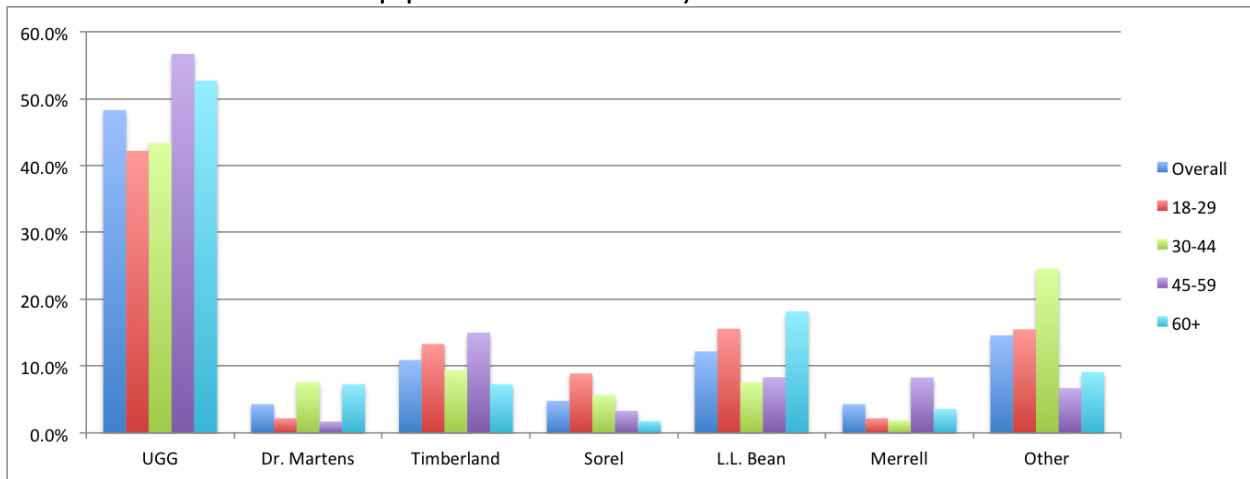
- 44.3% believe UGG's popularity will stay the same for the 2015–2016 fall/winter season. (Q4)
- 29.4% of women believe that UGG's popularity will increase for the 2015–2016 fall/winter season. (Q4)
- 26.2% believe UGG's popularity will decline for the 2015–2016 fall/winter season. (Q4)
 - 36.4% of those ages 18 to 29 believe UGG's popularity will decrease for the 2015–2016 fall/winter season, compared with 18.2% who believe it will increase. (Q4, filtered by age)
 - 28.3% of those ages 30 to 44 believe UGG's popularity will decrease for the 2015–2016 fall/winter season, compared with 28.3% who believe it will increase. (Q4, filtered by age)
 - 23.3% of those ages 45 and 59 believe UGG's popularity will decrease for the 2015–2016 fall/winter season, compared with 28.3% who believe it will increase. (Q4, filtered by age)
 - 21.8% of those 60 or older believe UGG's popularity will decrease for the 2015–2016 fall/winter season, compared with 41.8% who believe it will increase. (Q4, filtered by age)

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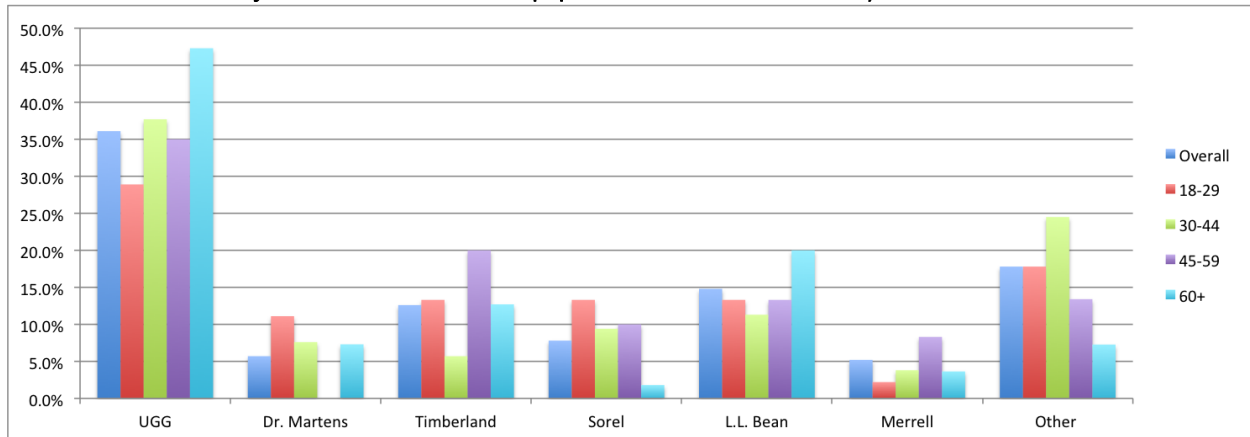
Respondents believe UGG boots rank above or in line with other boot brands, but younger respondents were the most pessimistic about UGG compared with its competition.

- 48.6% believe UGG boots rank on the same level as the other brands on the market. (Q5)
- 34.1% believe UGG boots rank better than most other brands on the market. (Q5)
- 9.6% believe UGG boots rank worse than most other brands on the market. (Q5)
 - Younger respondents are more likely than their older counterparts to believe that UGG boots rank worse or are the worst boot brand on the market. (Q5, filtered by age)

1. Which brand of boots were the most popular this 2014–2015 fall/winter season?

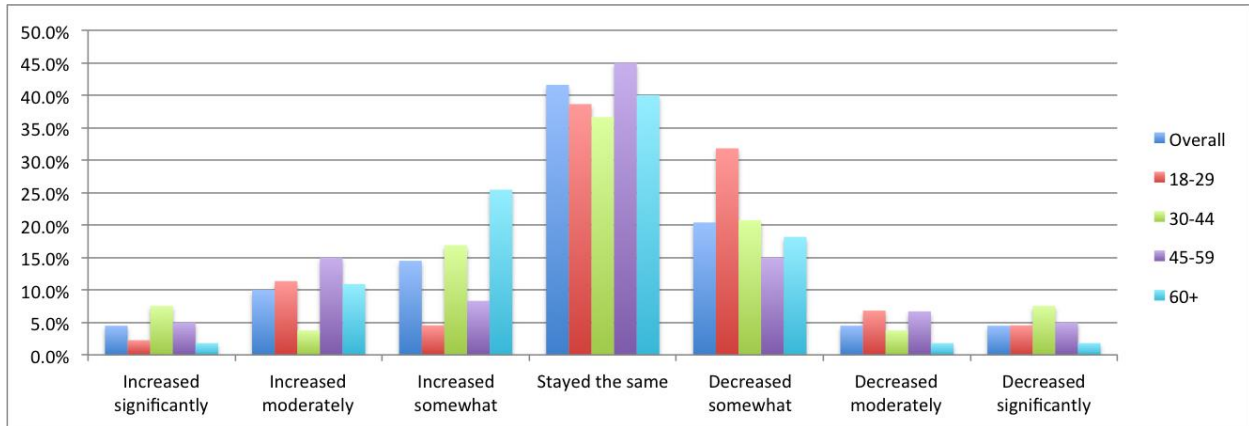


2. Which brand of boots do you think will be the most popular for the 2015–2016 fall/winter season?

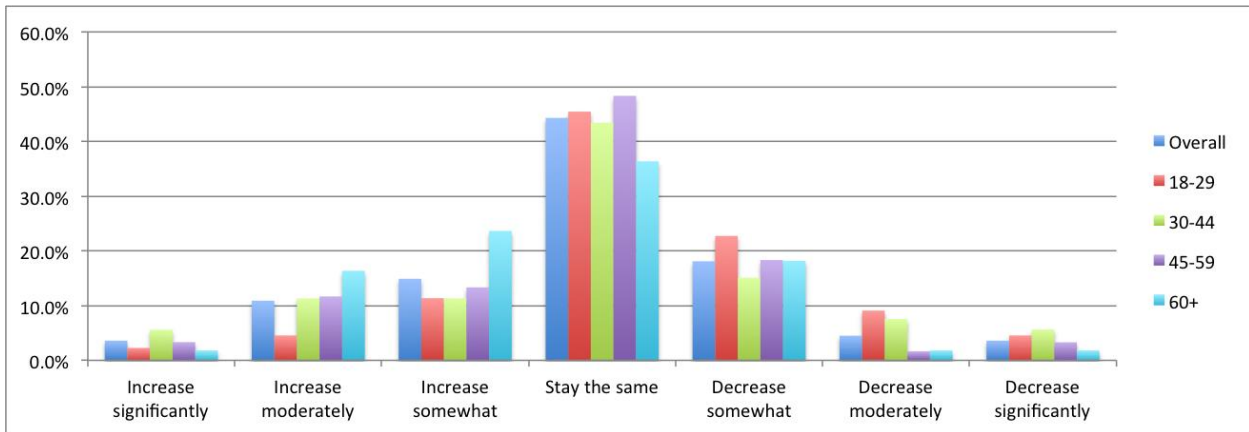


3. Compared with the 2013–2014 fall/winter season, how has UGG's popularity changed?

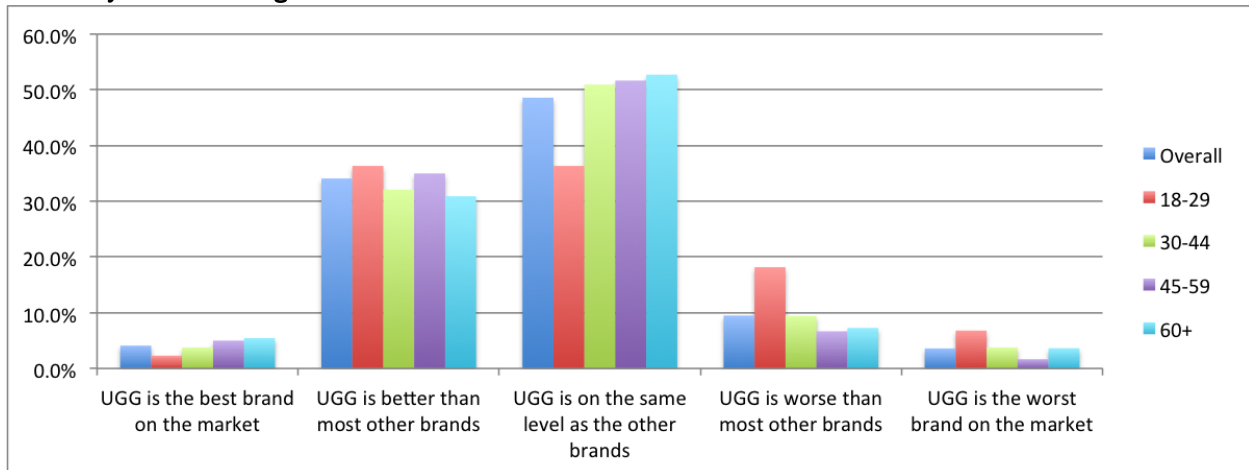
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4. Compared with the 2014-2015 fall/winter season, how do you think UGG's popularity will change for the 2015-2016 fall/winter season?

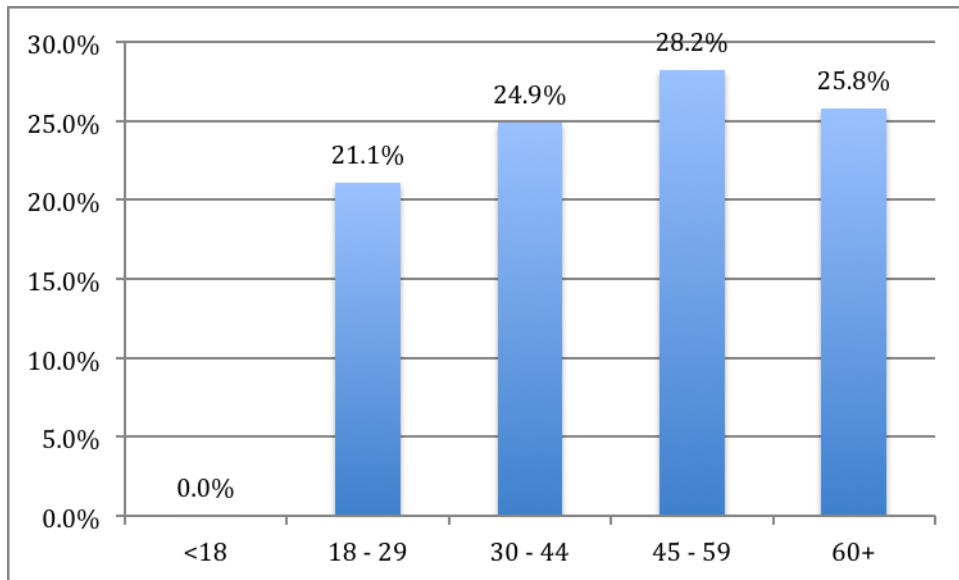


5. How would you rank UGG against other boot brands on the market?



6. What is your age?

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Secondary Sources

These five secondary sources focused on UGG boots' declining popularity, apparel companies moving production out of China, and the fashion industry's increased use of shearling.

UGG Boots' Popularity

A discussion among a fashion blog's readers included mentions of UGG boots becoming less popular.

Jan. 13 Who What Wear [article](#)

A popular fashion blog questioned *Vogue's* claim that UGG boots were back "in," and more than 70 of the blog's readers shared their insights on the brand. Twenty-nine believed UGG boots still were in, 31 said they were out, and 14 said they were neither in nor out but were good for around the house. Those who reported a decline in UGG's popularity were most likely in urban areas on the coasts. Those who still considered the brand to be fashionable were from the Midwest or Canada. Several said they only wear their UGGs around the house.

- "In '[The Return of the Ugg Boot](#),' editors at the world's foremost fashion magazine make their case: 'In the last month, how many times have you declined to step into your heels and opted for a pair of Uggs instead? Once? Twice? Or perhaps like fashion's coterie of Ugg revivalists, you didn't take yours off once over the Christmas break,' editors [Laura Weir and Julia Hobbs argue](#). 'Isn't it time that we embraced our guiltiest fashion pleasure?' (Um, yes.)"
- "They even offer five styling tips on how to make Uggs chic, including but not limited to: wearing no makeup, not opting for that other '90s style staple the track pant, and wearing them with vintage dresses and chunky knits. 'Think throwback, grungy San Francisco style,' explain the writers."
- "So, what say you? Are Ugg boots officially back in style—and were they ever really out? Tell us your thoughts in the comments below!"
 - (New England source) "Uggs are the winter version of Crocs! No and no! I can't do it! I invest in another option!"
 - "They are usually worn by lazy people with no sense of style! Gross"
 - (Chicago source) "Didn't know they were ever out, ever?!?! Cute and comfortable especially with my everyday skinny jean addiction. But I opt for the tall grey pair."

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- “They’re hideous. I wouldn’t wear them if I received them as a gift. One of the ugliest types of footwear ever to come into fashion. I don’t care how comfy they are, they’re as ugly as sin.
- “True, true, true!!!! Second place in latest and upcoming annual awards: *Ugliness at your feet*; First: the amazing Crocs....oh yes!”
- “When did Uggs go out of style?”
- (Fashion blogger in CO) “Someone wearing Ugg boots just looks lazy to me. I really only wear mine leaving a yoga class. Living in Colorado, they are absolutely useless on snow and ice, and you can find MUCH cuter snow boots from other brands like Sorel.”
- (Santa Monica source) “They remained utilitarian after everyone saw the stupidity of wearing them with shorts. At the end of the winter day, they still keep your feet warm and comfortable!”
- “As an Australian (yes, I am a citizen of the home country of the UGG), I can confirm that these ‘on-trend boots’ as you refer to them are actual slippers. They are designed to keep your feet warm when you’re inside—ever noticed how NOT waterproof they are? Oh, and maybe, just maybe you can sneak in a trip to the corner store in them. They’re not a trend, they’re slippers.”
- (Australia source) “THANK YOU! Agreed. I’m joining this rant—Ugg boots are slippers (and damn comfy ones at that). It’s tacky to wear them outside of your house or as a fashion ‘statement’ here in Australia ... and even tackier to declare it as a trend.”
- (Wisconsin source) “For all you who hate these, if you are gifted a pair in size 9 send them to me! I am always amazed at some of the footwear women wear in the winter. Heels on ice just make me think ‘stupid’. How will women in heels ever be able to compete in a patriarchal society?”
- (Ohio source) “I’m a Midwest girl, I don’t care what anyone thinks, I wear what I like and I love my Uggs! They’re practical, worth their price tag and pretty much go with everything!”
- (Canada source) “I live in Canada so I will wear them for life! Sorry, don’t care if I look ‘lazy’. I commute 3 hrs/day and deal with 2 kids in the morning so I would say I’m far from lazy.”
- (Los Angeles source) “I actually stopped wearing Uggs a few years ago because I kinda got over them, didn’t know they were out of style. I still have 2 pairs that I wear on really lazy days though.”
- (Chicago source) “UGGS are NOT SNOW BOOTS! They were made to keep SURFERS FEET WARM after SURFING in AUSTRALIA! They are made of genuine SOFT suede that can easily get wet & ruined and lined with real SHEEPSKIN—both of which easily get wet and DO NOT keep feet WARM!! They are basically HOUSE SLIPPERS!!!!!!!!!!”
- (Nebraska source) “Living in the NE I never stopped wearing mine either. In fact I own 6 different pairs. In winter there is nothing more comfy for running errands. Many times I wear my Uggs out to the car and change into my heels once I get where I’m going.”
- (New Jersey source) “Actually laughing at the people who thought they never went out of style. But then again I own a pair as well so I shouldn’t be talking haha. I don’t wear them as much as I used to since middle school ended though.”
- (Lululemon educator) “Sorel’s are cuter and more practical if you live in Canada”
- (New York City source) “I only keep a pair to walk the dog at night.”
- (Boston source) “They are ridiculous”
- (Glendale, CA, source) “Love them, but I wear them as slippers in the house. I would wear them out, but just running errands or something like that.”

Shearling Use

Ralph Lauren’s dominant theme was shearling in his fall collection. Several other brands also have featured at least one shearling piece for the fall.

Feb. 20 Fashionista [article](#)

The dominant theme in Ralph Lauren’s fall 2015 collection is fur. However, Ralph Lauren is using not actual fur but shearling to make a stance, albeit ironic, against the industry.

- “By the end of [Ralph Lauren](#)’s show on Thurs. morning, I was began to feel sick. If there’s been a dominant theme on the [fall 2015](#) runways, it’s fur; fox, mink, you name it, and at Ralph Lauren, it looked especially animal-like, its uses especially superfluous, accompanying everything from outerwear to evening gowns.”

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- “Only it wasn’t fur. At the bottom of the collection’s show notes was a statement that read: ‘Ralph Lauren has a long-standing commitment to not use fur products in our apparel and accessories. All fur-like pieces featured in the collection are constructed of shearling.’”
- “Commendable, right? Not to mention impressive from a design perspective (we were all fooled!). Except that shearling, like fur, is made from the tanned hide and wool of a sheep (it helps to think of it as ‘sheep fur’), and sheep are slaughtered shortly after they are shorn.”
- “Fur debate aside, Ralph Lauren’s collection looked good this season. Lauren likes to build a collection around a place—Russia, India, the Far East—and as many reviewers have pointed out before, the effects can be a little costumey. But it did not seem that Lauren had a specific place in mind this season. There were certainly Western elements—brown suede trousers and fringed bags, shearling jackets, ivory knits piled with yet more fringe—but the hats read more safari than American West. The mix worked well; in the end, it simply looked like Ralph Lauren.”

Feb. 19 Style.com [article](#)

A fashion site reviewed shearling features in the fall 2015 New York runways. Twenty-one different brands have featured shearling in their fall collections.

- “Happy Chinese New Year! The Year of the Sheep couldn’t come at a more relevant time, with shearling pieces popping up in the [Fall 2015 collections](#) in New York. From Anna Sui’s Technicolor shag coat to Thakoon’s textural tank, the fuzzy options are plenty
- “Items include Coach jacket, Anna Sui jacket, Donna Karan coat, Ralph Lauren’s faux fur everything, Proenze Schouler jacket, KTZ jacket, Altuzarra coat collar, and a Thakoon wrap.

Companies Moving Production Out of China

Some clothing and shoe manufacturers have been relocating production out of China. Nike has moved some of its production out of China and into Vietnam, where wages are lower. Meanwhile, several European companies are moving production back to their home countries, where shipping costs and import duties partially offset the narrowing gap between labor and production costs in China.

Aug. 5, 2014, Pangea Today [article](#)

Nike has moved some production out of China and into Vietnam. Adidas, Samsung and Intel also have been relocating production to Vietnam. Increasing costs and instabilities in China have led to companies’ departures.

- “Leading sportswear manufacturer Nike has been moving production from China to Vietnam, according to recently released statistics.”
- “In 2013, Nike’s Vietnamese factories manufactured 42 percent of its total number of globally distributed products, whereas its Chinese factories only manufactured only 30 percent.”
- “Nike is not the only big-name company moving production from China to Vietnam. An increasing number of global corporations such as Adidas, Samsung and Intel have also been investing heavily in Vietnam.”
- “The country is becoming a stronger manufacturing base, and other companies such as Lancaster and Sequoia Paris have also expressed interest in moving to Vietnam.”
- “Most of the companies’ heads said that increasing costs and instability in China’s business market have made China a less attractive location for factories.”
- “Tensions between China and Japan are also pushing Japanese firms to leave the Chinese market in search of a better alternative.”
- “Vietnam is currently working on strategies to make the most of this market shift. Analysts say that Vietnam’s resources and cheap labor will only attract temporary investments. To become a more favorable permanent prospect for investors, Vietnam will have to solve its biggest issues: poor infrastructure and heavy bureaucracy.”

Dec. 1, 2014, Business Insider [article](#)

Some European companies are pulling production out of China and reestablishing it in their own countries. Sixty percent of surveyed non-financial European companies had reshored some of their operations, with Italian companies leading the pack. Rising wages in China and the economic downturn in Europe have been catalysts. Even if labor and production costs are higher in Europe, they are offset by the removal of shipping costs and import duties.

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- “After years of moving production to Asia, some European companies are following the example of their U.S. counterparts and coming home. Decisions by the likes of Italian leather goods brand Piquadro SpA and battery maker FIAMM SpA to boost production at home do not mark a reversal of the ‘off-shoring’ phenomenon that has shaped global business for two decades.”
- “But companies are tiptoeing back to their home regions, driven by rising salaries in China that are eating away at the profit margins that once lured them abroad. They are weighing the still lower but climbing manufacturing costs abroad against the difficulty of overseeing production far from home, plus the cost and time taken to get goods to Western markets.”
- “‘Reshoring’ is being led by clothing, footwear and electronics companies, partly because they are rediscovering the cachet of the ‘Made in Europe’ label. But in Spain, for example, depressed wage levels since the euro zone crisis have also prompted foreign car firms to open production lines there.”
- “A PricewaterhouseCoopers survey of 384 euro zone non-financial companies last month found almost 60 percent had reshored some operations, mainly production, over the past year, against 55 percent which had done the opposite. Italy topped the reshoring list with 44 companies, while Ireland, Germany and Spain also featured prominently.”
- “Many Italian firms have reduced or overhauled their production lines because of falling demand, concentrating their remaining manufacturing closer to target markets. Of the around 450 relocations analyzed by Fratocchi since 2007, Italy has accounted for roughly a fifth, second only to the United States which had the lion’s share with nearly half.”
- “The trend has affected even countries which weathered the crisis relatively well. German mid-sized companies like household goods brand Fackelmann and chainsaw maker Stihl have also reshored production. High-end teddy bear maker Steiff announced in 2008 that it was returning production from China because it had quality problems and transport took too long.”
- “Often, however, rising wages in Asia are the main factor. According to consulting firm AlixPartners, official data show China’s average wages in manufacturing rose 364 percent between 2004 and 2014, albeit from a far lower base than in Europe. The biggest narrowing of the wage gap is in the United States. Boston Consulting Group (BCG) said manufacturing costs in China are only 4 percent below those in the United States, compared with 14 percent in 2004.”
- “Italian wages have risen steadily over the past decade, despite periodic recessions, and overall manufacturing costs remain almost 30 percent higher than in China, according to BCG.”
- “Piquadro Chief Executive Marco Palmieri says the average monthly salary of the firm’s Italian factory workers is five times the Chinese level. But this gap was around 16 times in 2008, while executive pay is now the same in both countries.”
- “Piquadro’s Italian production is about a third more costly than at its Chinese factories. But Palmieri says this is partly offset by high transport costs from Asia and import duties.”
- “Shipping from China also takes more time, a handicap for fashion companies whose customers want the latest products fast. Piquadro therefore decided 1-1/2 years ago to make its Sartoria line of bags near Pisa, close to its leather suppliers.”
- “‘Chinese factories are designed to handle large volumes: we increasingly need smaller volumes of a much larger variety of products. And we’re also under pressure to reduce the time-to-market of our products,’ Palmieri says, adding that the ‘Made in Italy’ label is a plus for his higher-end bags.”

Additional research by Carolyn Marshall, Gloria Shao, Kevin Murphy, Jacqueline Fox, Cindy Elsberry, and Mason Rudy.

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