

# Deckers' UGGs Starting to Shift from Popular to Passé

Companies: DECK, VFC, WWW

October 8, 2014

## Research Question:

**Are the shearling boot trend and UGG's popularity waning?**

## Summary of Findings

- Deckers Outdoor Corp.'s (DECK) [UGG boots](#) are becoming passé and are declining in popularity, according to early indications from suppliers, store sources and the demand-driven price of shearling.
- One supplier and one of eight store sources believe UGG's popularity is declining. The store source said demand for VF Corp.'s (VFC) [Timberland boots](#) has overtaken that of UGGs.
- Only two store sources said UGG's popularity has risen year to year, a change from Blueshift Research's previous reports on the brand.
- Now that Deckers has worked through excess inventory from last year, it is back to buying shearling from Australian farmers.
- Shearling prices are 20% to 50% lower year to year and nearly 80% lower than three years ago, when Deckers' buying habits were driving up overall market prices. Deckers' shearling demand is a major force in pricing.
- Environmental regulations [have shut down](#) several major tanning plants in China.

## Silo Summaries

### 1) Suppliers for the UGG Brand

One of these two sources commented on UGG's popularity, which he believes has waned in developed nations. This source also said his sales of shearling overall have decreased 10% year to year, while the second source said Australia's sheep kill rates have fallen during the past three months. Both sources said Deckers has inventory under better control than a year ago. Shearling prices are down as much as 60% down year to year and 78% compared with three years ago, when Deckers was at the peak of its buying. Deckers' purchases are so large that the company drives the price of shearling. Its lack of demand for shearling could be a factor in the decline of prices. Both sources said China's heightened environmental controls have resulted in the closure of several tanning factories.

### 2) Stores Carrying the UGG Brand

UGG's popularity has been stable year to year for five of these eight sources, has increased for two, and has declined in light of greater demand for Timberland for one source. UGG sales this quarter have increased for two sources, have been stable for one and have been off to a sluggish start for three sources. The remaining two sources had no read on this quarter's sales year to year. UGG inventory levels are sufficient, and prices are steady to up slightly on most UGG models. Still, one source already is discounting UGGs by 20%.

	UGG's Popularity	UGG Sales YY
Suppliers	➔	➔
Stores	➔	➔

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## Background

Blueshift Research has been following Deckers since [2011](#) when we correctly forecast that droughts in Australia would lead to a shearling shortage for UGGs. In [late spring 2012](#) we found UGG's sales slowing because of unseasonably warm weather. Then in [September 2012](#) supplier and manufacturing sources said surplus UGGs in Chinese manufacturing plants were restricting Deckers from taking advantage of 50% lower shearling prices. Our [February 2013 report](#) uncovered steady to growing popularity for UGG year to year, driven by consumer loyalty to its Classic styles, its new styles and colors, and cooler weather. Slow fall demand turned into brisk holiday sales.

## Current Research

In this next study, Blueshift Research assessed whether UGG's popularity was declining. We employed our pattern mining approach to establish three independent silos, comprising 12 primary sources (including two repeat sources) and five relevant secondary sources focused on China's crackdown on industrial pollution as well as the reemergence of the Timberland work boot:

- 1) Suppliers for the UGG brand (2)
- 2) Stores carrying the UGG brand (8)
- 3) Secondary sources (5)

## Next Steps

Blueshift Research will recheck stores' UGG sales as fall and winter weather set in. We also will assess Chinese tanning factory closures' effects on UGG production. Finally, we will monitor trend leaders to gauge demand for VFC's Timberland boots.

## Silos

### 1) Suppliers for the UGG Brand

One of these two sources commented on UGG's popularity, which he believes has waned in developed nations. This source also said his sales of shearling overall have decreased 10% year to year, while the second source said Australia's sheep kill rates have fallen during the past three months. Both sources said Deckers has inventory under better control than a year ago. Shearling prices are down as much as 60% down year to year and 78% compared with three years ago, when Deckers was at the peak of its buying. Deckers' purchases are so large that the company drives the price of shearling. Its lack of demand for shearling could be a factor in the decline of prices. Both sources said China's heightened environmental controls have resulted in the closure of several tanning factories.

### KEY SILO FINDINGS

#### UGG Popularity

- 1 said UGG popularity is waning.
- 1 had no comment.

#### UGG Sales

- 1 said sales are down 10% year to year.
- 1 said sheep kill rates have been down the past 3 months and that there is no shearling to sell.

#### UGG Inventory

- Both said Deckers has inventory under better control than a year ago.

#### UGG Pricing

- Prices are down as much as 60% year to year.

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- Prices are down 78% compared with three years ago when Deckers was a large buyer in the market and drove up prices.

## Other

- Small and midsize tanning factories have been shut down in China due to environmental issues.

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

UGGs have become less popular in Australia and are considered a passé product. Sales are steady in China but most likely are declining in developed nations, where the shearling boot trend is 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 has improved in the last 12 months in light of lower demand. Stock inventories are lower at the manufacturers' level because they are working off existing stocks and buyers have been cautious in purchasing. Sheepskin/shearling prices are down 20% to 40% year to year.

### UGG Popularity

- "The popularity of UGGs is very difficult to determine from Australia as the product has a bad stigma attached in this country. Australians do not wear UGG boots. It is a product associated with lower-class youths in the 1970s and is looked down upon even today. Australians in general cannot understand the global interest in the product. The vast majority of UGG sales in Australia would be to tourists."
- "The fashion/trend here is definitely declining. In China it still seems to be steady or increasing."
- "I would think the fashion trend is also declining in the developed nations."

### UGG Sales

- "Sales and demand for 2014 were generally lower than 2013, reflecting worsening economic conditions in many overseas markets. Western Europe, Eastern Europe and Russia were all lower than the year before. Chinese domestic demand was the only improvement during the period. Overall all sales were down around 10%."

### UGG Inventory

- "UGG would have better managed inventory in the past 12 months, with lower demand from Chinese manufacturers reflecting lower purchases and a propensity for UGGs to sell from existing stock."
- "Stock at manufacturers would generally be lower than 2013. All buyers have been cautious in their buying during the year. Market conditions have felt unstable, and no one has been willing to invest in stock."

### UGG Pricing

- "Skin prices are lower than [last year]. Prices are around 20% to 40% lower depending on the skin type. Price falls as a direct reflection of lower demand."
- "Because of the lower prices, Deckers has moved back to sourcing more raw material in Australia, but overall Deckers is using less sheepskin as it shifts to boots made from other materials."

### Other

- "UGG/Deckers will have moved back to a higher percentage of Australian skins during 2014 as price reductions make those skins more cost-effective compared to the lower-grade/cheaper origins that it was sourcing from in 2013. The overall use of sheepskin by Deckers would be continuing to fall, however, due to its increasing change to boots made from other material."
- "The tanning industry in China has been subjected to significantly tougher environmental controls in 2014, with many tanning areas shut down completely and others forced to clean up their production. ... The main supplier to UGG has been caught up in this, and had its productions closed for a large part of the year and was forced it to outsource its production. The area that the supplier is in is still under strict control. Whilst the factory itself may not be a big polluter, it is in an area known for illegal discharge."
- "The environmental shutdowns are causing a consolidation of tanning activities in newer and bigger facilities with better pollution treatment"

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Major Australian Processor & Exporter  
of Sheepskin/shearling*

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facilities. Some of the price falls in 2014 are a direct result of these shutdowns causing weaker demand. It is expected through 2015 that the rationalization of tanning facilities will settle and demand will resume at more normal levels. Price reductions in skins will eventually lead to increases in demand due to lower finished-product levels.”

- “The suppliers of the other products would all be Chinese. UGG continues to move away from the traditional UGG boot and is trying to reposition itself as a fashion brand that is not focused on a single product. ... A brand built on the name ‘UGG Australia’ that has no connection to Australia in ownership, management, manufacturing or even the origin of raw material now wants to be known for supply products that aren’t ‘UGG’ boots.”

## 2. President of a global supplier of sheepskin/shearling and leather based in the United States; repeat source

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

### UGG Popularity

- N/A

### UGG Sales

- “If we go back a year, I would say [Deckers was] buying nothing. We were told their inventories were very, very high and that they were substantial, so they were not buying at all between the period between 18 months ago through to four months ago. They were purchasing nothing. They were reducing inventory.”
- “In mid-September we were told that they had reduced their inventory and that they would start to buy, restock and reestablish their long-term shearling [buying] program again.”
- “At the same time, in each of the last three months the kill rates were down. And we do not have anything at the moment to sell. There is always a year-end lull as the season closes.”

### UGG Inventory

- “When they were buying up everything they could a few years ago, the prices were high. And they ended up with too much inventory because their sales were not where they thought they would be in the year or two that followed.”
- “I don’t know why they are ready to restock. It could be that they worked through their inventory and succeeded in an inventory correction. Either way, lo and behold, they are ready to restock and the prices are much lower.”
- “I heard a couple of different things in January and February that [Deckers was] working through their boot, shoe and leather inventories.”
- “I have been told that in the category of inventory, they are now in pretty good shape. That was not the case 18 months ago. As a result, last year they were not buying.”

### UGG Pricing

- “The reason Deckers wants to buy now is that the prices are substantially below what they were three years ago. Prices are 78% lower than they were three years ago when they were trying to buy up everything in sight and the prices were high.”
- “The prices year to year are roughly 55% to 60% lower. Now the prices are so low in sheepskin because of the lack of demand. There is a lack of material going into Russia, and they have been big buyers of sheepskin. But their economy is a mess, there has been political turmoil, and they had warm weather during seasons when it would be colder. Russia was typically a big buyer, but they bought nothing in March from suppliers in the U.S. or Australia. That kept the price of raw materials down. These dynamics

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represent an opportunity for someone in some part of the supply chain because the prices are way down.”

- “Prices are lower also because the footwear business is soft because of the economy. It is starting to pick up now, and that is good for [Deckers] because the price of raw material is low.”
- “This time last year the prices were much higher. Prices last year were twice what they are today, but Deckers was not participating last year. Deckers was not accessing the supply chain last year. They were working off inventory of materials that were priced very high several years ago. They were working off inventory that was made from very high priced skins from three years ago.”
- “The current price is \$12 a skin delivered, or about \$1 a square foot. Last year the price was \$2 a square foot.”
- “The price of raw material also is low because the president of China closed down some plants as a result of environmental issues, and that pushed prices down. I believe there is only one major plant operating and the midsize plants were forced to put in new environmental controls, which has had a crazy affect. There are a number of other reasons that caused prices to go down, namely that the smaller players can't produce. That has given more control to the bigger manufacturers, including those that Deckers buys from on a contract basis. The relationship between Deckers and the larger manufacturers is fairly open.”
- “The situation has resulted in giving more power to fewer players in the marketplace. I assume Deckers is trying to take advantage of the newer dynamics and lower prices. There is a lot of pressure on the suppliers, and their numbers are greatly reduced.”
- “The raw material that is being shipped today is for production that will occur in the spring of 2015, which will go into boots for fall sales in 2015.”

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## Other

- “Some other manufacturers have approached us and indicated that they forecast a good season for next year. That was based on their discussions with boot makers.”

## 2) Stores Carrying the UGG Brand

UGG's popularity has been stable year to year for five of these eight sources, has increased for two, and has declined in light of greater demand for Timberland for one source. UGG sales this quarter have increased for two sources, have been stable for one and have been off to a sluggish start for three sources. The remaining two sources had no read on this quarter's sales year to year. UGG inventory levels are sufficient, and prices are steady to up slightly on most UGG models. Still, one source already is discounting UGGs by 20%.

### KEY SILO FINDINGS

#### UGG Popularity

- 1 of 8 said UGG boots are less popular year to year.
- 5 said UGG's popularity is stable year to year.
- 2 said the brand's boots are more popular than last year.

#### UGG Sales

- 1 said Timberlands are outselling UGGs this year, which represents a change.
- 3 said sales are off to a sluggish start this fall.
- 2 said sales have increased year to year.
- 1 said sales are stable.
- 1 had no read on this quarter's sales compared with last year's.

#### UGG Inventory

- 6 said inventory was sufficient to meet demand.
- 2 reported having too little inventory to meet customer demand.

#### UGG Pricing

- 2 said prices are up on select UGG boots.



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- 1 said UGGs are already being discounted 20%.
- 5 said prices are stable year to year.

## Men's Line

- Sales of the [UGG men's line](#) are steady to up slightly, according to 7 sources who commented.

## 1. Journeys sales associate, Milwaukee

Compared with last fall, sales have surged for Timberlands, both men's and women's, but have been steady for UGGs. Permira's [Dr. Martens](#) and UGG are about even in terms of popularity. The store keeps UGGs in stock but does not run out around Christmas, unlike other Journeys stores. UGG inventory is enough to meet demand through the season. The store rarely discounts UGG since it only carries the most popular styles and colors. UGG prices have not increased since last fall. The source reported rarely selling UGGs to men.

### UGG Popularity

- "UGGs are still a popular boot brand, but compared to last fall their popularity has not really changed much."
- "We continue to carry them because our clients buy them and know that we have them."
- "Unlike other stores in the area, our store clients are a little more edgy and urban so we only carry about five styles for women and two for men."
- "Out of the three top boot brands we sell—UGG, Timberland and Doc Marten—in the next 12 months, I see Timberland growing in popularity while Doc Marten and UGGs will be about the same and stay where they are now."

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*Journeys Sales Associate, Milwaukee*

### UGG Sales

- "Sales thus far are pretty much where they were this time last year."
- "Compared to last fall, Timberlands have emerged as our most popular boots."
- "We probably sell more Timberlands now than we do Doc Martens or UGGs"
- "Out of 10 pairs of boots sold, four would be Timberland, three would be UGG and three would be Doc Martens."

### UGG Inventory

- "We have what we need for our store in UGGs. This would be too small of a selection to meet demand in other stores, but for us it is just right."
- "We have pretty much the same styles, colors every season. We never get anything too crazy—just the basics that sell the most."
- "We typically do not sell out of UGG towards the end of the winter season. I know some of our other locations do."

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*Journeys Sales Associate, Milwaukee*

### UGG Pricing

- "Prices for UGG have not changed from what we saw last fall."
- "We don't typically discount UGG since we carry the basic styles and colors that are the most popular."

### Men's Line

- "We don't really sell men men's UGGs very often. Men mainly buy Timberlands here and, after that, Doc Martens."
- "Men are buying UGGs the same rate they were last fall—rarely."

## 2. Peter Glenn sales associate, Southeast

This store's UGG selling season is October through April, during which it posted good UGG sales last year. The source would not estimate UGG sales for this year but said the brand remains popular. The store only carries women's UGG boots in the [Classic](#) styles. Customers come into the store for sporting goods and will buy a pair of UGGs. They do not come in just to purchase the shoe. The source reported already offering a 20% discount on UGGs.

### UGG Popularity

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- “The shoes are just as popular last year as they are this year. However, our selling season is during ski season, which is October through April.”
- “UGGs aren’t losing popularity. I wish we didn’t carry UGGs. The shoe is more for 50- to 70-degree weather instead of very cold weather. I’m more into function over fashion, and UGGs are not functional in ski conditions.”
- “If customers want the popular styles of UGGs, they don’t come here. We have the more traditional shoe.”

## UGG Sales

- “I really can’t comment on sales from last year compared to this year. Again, we aren’t really into our season.”

## UGG Inventory

- “Inventory depends on the ski season. If there is a lot of snow, then we will have more inventory of UGGs because there is more demand for them.”
- “Our inventory doesn’t change from year to year. We have the classic line of UGGs, not the latest fashion UGGs.”

## UGG Pricing

- “We are discounting our UGGs right now. All styles are discounted 20%.”
- “We don’t carry UGGs for men—only women.”

## Men’s Line

- N/A

*Reporter Observations:* No customers were in the store during our midday visit on a Thursday. Shoes were in a smaller department and were displayed on individual wall shelves. Sales tags advertised 20% off shoes’ list price.

### 3. Dillard’s sales associates, Missouri

These sources said UGGs for women and men are selling about the same as last year and have remained popular, especially the [new styles](#).

#### UGG Popularity

- “I expect them to be as popular as last fall. We’ve presold some of the new styles that people see online. The [tall Bailey Bow](#), with the three bows in back, is doing well. ... Another new style people like is the short boot with the jewel. It’s the [Bailey Bling](#). The [Alena slippers](#) with the fur around the top are also popular this year. In the boot line [Jimlar Corp.’s] [Frye](#) is probably the next best seller to UGGs.”

#### UGG Sales

- “Sales early in the season are good, about the same as last year. They pick up rapidly through December and then taper off. I don’t expect that to change this year.”

#### UGG Inventory

- “The inventory is about right. We have really stocked up, and it is early so there are no shortages. If there is style that a shopper wants that we don’t have, it can be ordered and available in four or five days.”
- “Inventories are as they were a year ago, but we have more styles.”
- “I haven’t had anybody unable to get their size or style so far.”

#### UGG Pricing

- “Prices are up a little from a year ago, and we have not had any sales. We may be putting some of the warmer weather styles on sale soon to clear them out.”

#### Men’s Line

- “Sales of men’s UGGs are pretty good for early in the fall. I sold two pairs just last week: the [Leighton boots](#) and a pair of slippers. Sales are on a par with last year. UGGs are not losing any ground.”

*Reporter Observations:* On a Monday afternoon we noted that the women’s UGGs were displayed on each end of the very large shoe department. The only shoes with a better display belonged to [Ecco Sko A/S](#). A small video screen behind a display depicted stylish people showing off their UGGs.

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## 4. Dillard's sales associate, Missouri

UGGs becomes a little more popular each fall for this store. The brand name and the big turnover in styles keep sales growing. Inventory is low already on some models, and boot prices are up about \$10 year to year. Men's UGG sales are flat, but the season has just begun and new styles may help sales once colder weather sets in.

### UGG Popularity

- "They get more popular every fall. We haven't slowed down any. The new styles help improve sales each year. We have more than a dozen new styles this fall. UGGs and [Wolverine World Wide Inc.'s/WWW] [Sperry \[Top-Sider\]](#) are the top sellers overall."

### UGG Sales

- "Sales are up a little from last fall, but it is pretty early in the season."
- "People don't even look at the prices; they just come in and buy them."

### UGG Inventory

- "We don't have enough inventories. Some of them sell so well we can't keep them in stock, especially in some sizes. We have already sold out of the short, black suede boot with the single bow in back. That is a new one this year. "
- "We had inventory issues last year too. Some lines we never got restocked."
- "We have a lot of styles, so most people can get what they want."
- "Inventory is spotty. We don't even have that many sizes of the new Leighton boots, but we should be getting more in."

### UGG Pricing

- "Most of the boots are up about \$10 a pair this year. We never have sales—only on discontinued lines, usually in the spring."

### Men's Line

- "Sales of the men's line have been pretty flat. It's early to be selling the fur-lined slippers, and they don't sell that well. I've heard the complaint that they are too hot on the feet. The new styles may help sales when colder weather sets in."
- "I have sold some of the new men's [Twinsole](#) shoes, where you can take the insole out."
- "They have added the leather men's Leighton short-boot shoes, and some of those are selling. They will be good in winter with the higher tops."

*Reporter Observations:* During our Monday afternoon visit, we noticed that the women's UGGs were displayed in three sets of tiered tables in a prime location. Large UGG signs hung over the display. Nothing was marked down. The men's UGG line was by the checkout counter and next to [Rockports](#). Slippers, high-top shoes that look like boots, and some tall rubber and fur-topped boots comprised the men's UGG selection.

## 5. The Walking Company store manager, California

UGG sales are about even year to year but are expected to pick up as the temperature drops. For now, warm weather has affected demand for all boots and winter wear, not just UGG. The store only carries a few UGG styles aside from the Classic boot, but can order any style free of additional charge for customers. UGG is not losing cache with customers, but men are not wearing the brand as much as women.

### UGG Popularity

- "UGGs are still very popular with women and young girls. Men, not so much."
- "The Classic boot is the best seller. Some people just want the basics. Others are into the new styles with bows and studs. We don't carry a huge selection of styles in the store, but if a customer doesn't see what they want, we will order it for them online. It can be delivered to them at home or they can pick it up here. There's no charge for that."

### UGG Sales

- "Sales for all boots and winter wear are very sluggish right now because it's still summer outside. When the weather cools down for good, we'll start to see it pick back up."
- "I expect we might do better this year than a year ago because we will be carrying more styles than we did in 2013. Christmas is usually our busiest time of the year for UGGs as they are often given as gifts."



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## UGG Inventory

- “Again, we don’t have that many styles in the store, but we do have more this year than we did last fall.”
- “The men’s UGG selection is even more tiny. That’s primarily because the majority of our customers who are buying UGGs are women between 20 and 35 [years old]. Men are not here for UGG. They are here mostly for other brands of shoes and boots.”

## UGG Pricing

- “The pricing doesn’t seem to have changed that much for the originals, but some of the newer styles that have more embellishments on them are a little higher. They are in the upper range between \$150 and \$200. But I know that some of the boots for men and women are even more. It does seem that UGG is moving out of the basic boot level and extending with more expensive outerwear for both men and women that isn’t just a slipper style or the basic boot.”

## Men's Line

- “Men are not the typical UGG customer. It’s women. And it’s mostly younger women.”
- “They are a very good product. I just don’t know if UGG can extend its brand identity out far enough to appeal to the wider markets.”

Reporter Observations: The store was busy, but no customer appeared to be interested in UGG or in boots in general. Instead they shopped for flats and dress shoes. Only women were present. The UGG display was in the front but was very small, with only seven styles for women. The men’s section had the original boot and slipper, but nothing else. The Walking Company was offering discounts on some UGG styles [online](#).

## 6. UGG store manager, Southern California

Sales got off to a slow start in early September because of excessively hot weather, but picked up dramatically by mid-month as weather began to normalize. Sales tripled during the Sept. 21 weekend compared with the three prior weekends. The store has been open for one year. The most popular model for women is the original boot, offered at same price as in 2013, while men have preferred the Leighton boot. The new [Grunge](#) line is expected to do well. The source noted no inventory or style shortages.

## UGG Popularity

- “UGGs are very popular, and now that we have so many new styles, including the waterproof boots for men, we are reaching a lot of different customers than we were before.”
- “I would say the most popular UGG for women is the Classic caramel-colored boot and the Mini Boot. Men like the Leighton boot. They are more like shoes and seem to be more popular with men than the classic UGGs.”
- “UGGs are not losing steam. No way. With so many styles and new looks, they’re more popular now than ever.”

## UGG Sales

- “This store has been open almost exactly one year, so I don’t have year-to-year comparisons to give. I can say that we got off to a slow start in September because it was just too hot. But once that died down and we started to see cooler temperatures again, our sales really jumped. The weekend of the 21<sup>st</sup> was the first cooler weekend we’d had, and our sales tripled what they were the previous two weekends.”

## UGG Inventory

- “Our inventory is very strong. Today we are actually having a little party for the introduction of the new Grunge line. We’re very excited about that. They are so great. Lots of fun details, like plaid and studded designs.”
- “We carry almost every style available now in this store. Also, we have several of the handbags, loungewear, gloves and cleaning accessories that are available.”
- “The store carries many different styles at all times. If we don’t have what a customer is looking for, whether that’s the size or the style or a color, we have what is called the ‘Infinite UGG’ program, where we will do a store search or order what they want online and guarantee two-day shipping free of charge, either to their home or to the store.”

## UGG Pricing

- “We don’t have any special pricing promotions going on right now, but we usually will leading into the holidays.”
- “We do have a membership loyalty program, which offers discounts at certain times of the year and a birthday promotion.”

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- “I was the manager at the [another location that sells UGGs], and I can say that the prices really haven’t changed much in any way for any of the styles for a couple of years. They obviously have gotten a little higher for the new styles and the shoes, but for the classic boots, they really haven’t changed.”

## Men’s Line

- “UGG is connecting with a larger demographic than it might have been, say, 10 years ago. The boots for men are very, very popular, especially the waterproof boots.”

*Reporter Observations:* The store was very busy at 3:30 p.m. midweek. It offered extremely high-end design and well-positioned products, with a full range of styles and merchandise. The store was preparing to offer drinks and treats for an evening celebration of the new Grunge Line.

## 7. The Walking Company store associate, Wisconsin

UGGs continue to be a top performer, and sales are a bit higher this time last year because of some early cold snaps. New styles continue to filter in, and customers are buying up the new [Classic Mini in leather](#). Also, any style in the chestnut brown sells. Out of every 10 pairs of boots sold, seven are UGGs and the others are a mix of [Dansko Inc.](#), [Umberto Raffini](#) and [Abeo](#). Stock is solid, but customers seem more aware of Christmas sellouts so they are buying earlier. Men’s UGG sales typically come from slippers; the new [Neumel](#), a lace-up slipper, is in demand.

### UGG Popularity

- “UGGs are a big part of our business from now to January. They continue to be very popular.”
- “Compared to last fall, UGGs are as popular as they were. I don’t see their strength going down any time soon. They have an established customer, and yet people are still out there getting their first pair.”

### UGG Sales

- “It seems compared to this time last year, we may be selling a little more.”
- “People are starting to figure out that we sell out by Christmas, so they are getting them earlier. We’ve also had some colder weather, which could be bringing more boot sales too.”
- “If I were to sell 10 pair of boots on a Saturday, six or seven would be UGGs and the rest would be the other brands we carry, like Dansko, Abeo and Raffini.”

### UGG Inventory

- “We are still getting our UGG inventory in. Usually the whole left wall is UGG from front to back. Now it is about 75% more, but we are getting new styles in all the time.”
- “They put out a Classic Short in leather that is selling quite well. Overall, the Classic Short is still the best seller. And any style that comes in Chestnut Brown. The Bailey Button Short also does very well.”
- “Most years we sell out, but for the first time in a long time, at Christmas last year we actually had chestnut Bailey Button and Classic Short in chestnut brown.”
- “Because chestnut brown is such a hot seller, they end up sending us way more of it than any other color; in all styles available that has chestnut brown available. For example, when Classic Shorts come in, we’ll get nine pairs in each size in chestnut brown and two in black.”

### UGG Pricing

- “UGGs do not get discounted. Occasionally they will do a gift with purchase. We used to have coupons, but it was too confusing for the customers because they did not apply to all the lines. It would be for \$5 off Dansko or another brand like Raffini.”
- “At the end of the winter season, if a style is discontinued or a color did not sell well, we might put it in a clearance sale.”

### Men’s Line

- “Men’s UGG sales always pick up as we get closer to the holidays. Slippers are a big gift item, and they fly out of here.”
- “We did get a new style in that looks more like a Oxford shoe/boot called the Neumel, which sells for \$129.95. Guys seem to like it a lot better. I just sold a pair last week. In the three years I have worked here, it is the only style my boyfriend says he would wear.”

# Deckers Outdoor Corp.'s UGG Brand

**Reporter Observations:** While Blueshift was conducting the interview on a Friday afternoon, a middle-aged woman purchased a pair of Classic Mini boots in chestnut brown. The left window of the store was all UGGs, with 15 new shoe styles and four slipper styles. The right side of the store was a mix of brands, including a few of the UGG styles that are leather. The store's catalog advertised "Over 150 New UGG styles and colors!"

## 8. Dillard's sales associate, Georgia

UGGs shoes are already very popular this season and started selling in early September. Although inventory is slowly coming in, the store has enough to meet customer demand. The source expects sales to be 60% to 70% higher than last fall in the women's line. Sales of men's UGGs have risen by 10% year to year.

### UGG Popularity

- "It's early for us to be selling UGGs, but we are already seeing sales of the shoes. The shoes are very popular."

### UGG Sales

- "We weren't selling UGG's this soon last year, so I'd say sales are up and going to go up by 60% to 70% over last year."

### UGG Inventory

- "We have too little inventory to meet the customers' demands."
- "Last year we had more inventory mid-September; it's just beginning to trickle in this season."
- "Our customers are able to get the size and style they want. If we don't have an item in stock, we will order it for them and waive the shipping charges."

### UGG Pricing

- "We never discount UGG's shoes. Sometimes Deckers will put them on sale and then we offer sale pricing. If a shoe is going to be discontinued, then on Jan. 1 we will discount the shoes."

### Men's Line

- "Sales of the men's line is up by 10%. They have a small selection and seem to be as popular as they were last year. It's mostly the men's slippers that do well."

**Reporter Observations:** Both sides of the store held large UGG displays, with approximately 40 different styles and colors, at least 10 new styles, and only one tall boot style from last year. No salesperson was available in the men's UGG section, which was small and primarily composed of slippers. Only one customer was in the shoe department during our early afternoon visit on a Wednesday.

## Secondary Sources

The following five secondary sources shed light on how China's crackdown on industrial pollution has affected sheepskin prices and how the Timberland work boot has reemerged as a fashion trend.

### September FWplus [article](#)

China's crackdown on industry pollution has closed many tanneries, resulting in a decline in sheepskin prices.

- "The closure of toxic tanneries in China is prompting processors to caution farmers about the effect on lamb prices as the new lamb season nears."
- "The extensive tannery industry in the Heibei [sic] and Heenan [sic] provinces of northern China have borne the brunt of Chinese Premier Li Keqiang's crackdown on industrial pollution."
- "Hundreds of tanneries have been forced to comply or close under tougher environmental rules."
- "The crackdown has largely affected the 'wet' lamb skins trade, with reports of thousands of containers containing pelts stalled in warehouses in the region."
- "Alliance Group marketing manager for beef and co-products Carl Alsweller cautioned that while the mass shutdown occurred in April-May, the effects were likely to linger well into the early stages of this season, as many plants grappled with the time and costs involved to upgrade."

# Deckers Outdoor Corp.'s UGG Brand

- “There has also been a slight slowdown in the Chinese economy, which has softened demand for luxury-type goods, including leather,” he said.”
- “He predicted the shutdown for many plants would be permanent, given the relatively small scale of many and the resources required to get them up to standard.”
- “The processors were among 8300 companies forced to close in Heibei province alone last year, after thousands of volunteers were recruited to monitor pollution sources.”
- “The Chinese state media agency Xinhua has said Heibei contained seven of China’s 10 most-polluted cities.”
- “International leather business website Leatherbiz said the Chinese Government was committed to avoiding another pollution cluster forming, with fellmongering businesses hit particularly hard in comparison to re-tanning and finishing operators.”
- “Heibei is regarded as the fellmongering capital of the world for sheepskins, a business not easily relocated compared to less-polluting processes further down the processing chain.”
- “Market demand globally was also expected to compound the loss of processing capacity in China.”
- “Alsweiler said sheep pelts from New Zealand typically had three main markets—handbag leather, garment material, and rugs or Ugg boot use.”
- “The main market for garment grade pelts was in China and Russia and both have experienced a softer demand, while United States consumer demand had held up relatively well, he said.”
- “Prior to this year you would have to say pelts were selling at record levels, partly reflecting the decline in ovine (sheep) pelt supply globally.”
- “The short supply of sheep globally could be the factor that helped provide an end to the low prices being experienced, he said.”
- “This year those prices were down 50% and he anticipated it could shave about \$5 a head off lamb prices.”
- “While it appeared prices might be close to stabilising at the lower levels, Alsweiler cautioned stocks were accumulating, some bought during the high points in the market.”
- “Chinese buyers are estimated to buy about 40% of the NZ lamb pelt production.”
- “Other areas competing with NZ in pelts are Australia, Africa, the Middle East, the United Kingdom, and China.”
- “The shutdown, clean-up requirements, and reduced capacity in China are anticipated to bring pelt-processing costs up to levels closer to European and US levels.”
- “China’s ministry of environmental protection has acknowledged the environmental standards might result in 45% of skin processors going out of business.”
- “About US\$300 million is estimated to be required to upgrade water-treatment plants and production processes.”
- “Wallace Corporation general manager for hides and skins Ted Hulbert said he was thankful his company was not processing sheep pelts.”
- “Calf prices would still be among the top four prices we have experienced, so it’s no disaster there.”
- “He estimated wet sheep pelts, even with wool on, would be worth less than \$2 each under current conditions.”

## Oct. 7 Elle [article](#)

Timberland boots are this winter’s new trend, specifically among women following such fashion icons as Rihanna, Cara Delevingne, and Gwen Stefani.

- “Last year, Adidas’ Stan Smith sneaker was the shoe that was everywhere. The progression from casual sneaker to must-have item was fast and furious. This season, I predict a similar ascent to fashion greatness for the Timberland boot. Here’s why: All cool girls are wearing Timbs, from Cara Delevingne to Rihanna to Gwen Stefani. (And it’s no coincidence that they all hang out, either—cool begets cool. I’m not saying she’s *not* cool, but Taylor Swift has never been photographed in a Timberland.) Anyway, now that stylish babies North West and Blue Carter have been spotted in Timbs—and they just learned how to walk—I know that they’re about to explode. They. Are. Happening. And if you don’t believe me, here’s proof. Click through the coolest girls in their Timbs and then tell me you don’t want a pair.”

## Sept. 24 The Hawk [article](#)

Popular boot styles for college students this winter include Timberland boots for both men and women, as well as combat and riding boots.

- “With fall quickly approaching, college students will soon be sporting popular cold weather trends on campus. One fall fashion trend found on college campuses everywhere is boots. Fall is the opportune time to put away your flip-

# Deckers Outdoor Corp.'s UGG Brand

flops and dust off the boots in the back of your closet. When it comes to choosing what shoes to wear, boots offer a plethora of options that help enhance any outfit.”

- “With every type of weather comes another style of boot. Another brand, popular with both men and women, is the classic Timberland boot. These boots especially have emerged not only as a practical work boot, but have also become their own fashion statement. Timberlands have been a popular brand for years, serving not only as a comfortable and essential work boot, but also as a fashionable snow boot.”
- “Two other popular styles are combat boots and riding boots. Combat boots have a somewhat edgier look to them. They traditionally have laces all the way up the front and clasps on the side as well. Riding boots are also incredibly popular. This style of boot is inspired by traditional horseback riding boots, and with its tall style, reaches up to one’s knee. This style tends to stay on the simpler side, with just a leather material and one clasp at the top or zipper going up the side.”

## Sept. 10 [Reveal.co.uk article](#)

Musician/fashion icon Pharrell Williams and his model/fashion designer wife Helen Lasichanh were spotted wearing red Timberland boots.

- “Pharrell Williams and his wife Helen Lasichanh stepped out in matching red Timberland boots today as they left a hotel in Manchester.”
- “Model and fashion designer Helen also looked stylish in jeans and a striped jumper. But what was the cutest part of their outfit? Their matching limited edition red leather boots!”
- “The boots have actually been designed by Pharrell and he first unveiled the ‘Bee Line for Billionaire Boys Club x Timberland Red Boots’ last summer on Instagram.”
- “The 41-year-old has worn them on plenty of occasions from red carpet events to showbiz parties, but this is the first time we’ve seen Helen match with him! ‘Happy’ hitmaker Pharrell has personalised his boots with paint, while Helen has rocked hers with different coloured laces.”

## September Bustle [article](#)

North West, daughter to Kim Kardashian and Kanye West, recently was dressed in Timberland boots.

- “In case there was still any debate over whether North West is becoming a fashion icon at the ripe age of 15 months, here’s proof that Nori nails every season when it comes to her ensembles. On the first day of fall, Kim toted the mini fashionista through LAX, and while Kim’s glam outfit was on point, we think Nori’s the real style star here.”
- “Her light cargo green leggings are perfect for crisp autumn days and serve as the perfect pairing for a comfy chambray shirt. And though I love her look from the ankles up, her cute little feet were the first thing to catch my eye. In my humble opinion, the sage-hued socks peeking out of her cool-girl chic Timberland footwear (awww, baby work boots!) are kind of the unsung heroes of this outfit.”

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