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## DECKERS' UGG ON TOP OF EXPANDING SHEEPSKIN MARKET

### (COLM, DECK, GPS)

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### BACKGROUND/DESCRIPTION

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- ▶ Deckers Outdoor Corp.'s (DECK) Ugg Australia has been driving company sales since 2004 with steady growth each year. Questions are arising on Wall Street about the brand's popularity declining and the company's ability to keep Ugg Australia growing.

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### RESEARCH QUESTION

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- ▶ Can Decker's Ugg Australia maintain its high popularity in the United States, or are new competitive footwear trends hurting sales?

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### INITIAL FINDINGS

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- ▶ Many sources likened Uggs to blue jeans in that they have become an essential part of consumers' wardrobes. One expert said minorities groups that had not purchased Uggs in the past now are becoming customers.
- ▶ One of three experts said Ugg's popularity is waning among the fashion trendsetters but is growing in the Midwest where the shoes are considered fashionable. One expert believes Deckers will have to be more innovative in order to remain the sheepskin leader.
- ▶ All six store sources said Uggs remain very popular and have little competition in the sheepskin fashion boot category. One source's fall shipment has been delayed.
- ▶ Four of the six customers interviewed think Ugg is maintaining its popularity. Two sources expect knockoff products to take market share from Ugg.
- ▶ Competitors and suppliers said the sheepskin footwear category remains very strong. Deckers' orders are steady for one supplier and increasing for another. This source also reported higher orders from manufacturers of knockoff products and low-cost products, which are taking advantage of the sheepskin trend.

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### INITIAL DATA

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**Silos:** Store personnel (6), customers (6), competitor (1), suppliers (2) and experts (3)

**Secondary Sources:** Footwear industry publications (2) and a fashion and footwear blog (1)

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### SILOS

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#### Personnel for Stores Selling Uggs

- ▶ **Sales associate, San Francisco Ugg flagship store**  
This store's sales are increasing because of back-to-school shoppers and summer tourists. He said Uggs appear to be just as popular now as when he started to work in the store more than two years

ago. The new styles are attracting lots of attention, but the Classic boots remain the best sellers.

- “Uggs are still very popular. I’ve not seen any decline in their popularity in the two and half years I’ve worked here.”
- “Sales have picked up since last quarter. Back-to-school shopping and the increased number of tourists at the end of the summer are helping.”
- “I find that shoppers typically have more than one pair of Uggs. We have so many styles to choose from, and the products are so comfortable that it’s hard to only have one pair.”
- “We have a wide demographic that shop here. We go from kids to seniors, and they all seem to find something they like.”
- “There’s really no competition for Uggs, maybe the knockoffs, but we are really the only sheepskin boot that people consider when shopping.”

▶ **Outdoor store sales associate, Davenport, IA**

This sales associate said Uggs are the store’s most popular boots once the temperature drops, with both loyal and new customers inquiring about the cozy and comfortable fashion boots. The store also sells other outdoor boots, but Ugg faces little competition as customers choose Ugg for fashion over functionality.

- “Compared to everything else on our shoe wall, in the winter [Uggs] are the most popular thing we have.”
- “From what I can tell Ugg is one of those brands that we get that attracts a lot of customers.”
- “I think Ugg people are buying them because they are Uggs. Most people don’t buy Ugg boots for the functionality of them. People in L.A. are wearing them.”
- “We sell all the traditional styles like Classics and mostly the boots. We’ve done some flip-flops. We sell outdoor wear, hiking boots and winter boots.”
- “There are [competitors] like [V.F. Corp.’s/VFC] North Face and [Columbia Sportswear Co.’s/COLM] Sorel.”

▶ **Department store sales associate, Southern California**

This source said Ugg demand has not changed except in new styles, which have become very popular. She believes sheepskins boots have become a fashion staple and that Ugg is still the category’s premier brand.

- “It’s funny because I think they’ve become like the new sneaker. Maybe they don’t have that cachet anymore, but I think everyone has a pair in their closet. Maybe they’re knockoffs, but Uggs is still the brand that you want to get if you’re going to be shopping in this category.”
- “Sales have been great, maybe partly because we’ve been experiencing such weird weather recently.”
- “Uggs are one of those things where a lot of people I know now have two pairs.”
- “The slouch is still a strong seller. Obviously the Classics [sell well], but the slouches are hot because girls are tucking them in. The other thing that is cool is the new mesh one we have.”
- “I don’t know if sales are up. I think they’re constant. It’s been consistently a great seller.”
- “People aren’t moving away from them if that’s what you mean. Like to something else? Not a sheepskin? No, people aren’t doing that.”

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*Sales Associate, Department Store  
Southern California*

▶ **Sales associate, San Francisco sporting goods store**

Uggs are still very popular with teens. Her store attracts a younger shopper and has not experienced a decline in demand for Uggs. The store was running a 25%-off sale on Uggs and had

run out of stock on some items. The fall Ugg shipment, including the newest styles, was to be delivered Aug. 1 but has been delayed. The associate was unsure of the reason.

- “We are selling a lot of Uggs right now because of our 25%-off sale and back-to-school shoppers.”
- “I think Uggs are the best-selling winter boot in the store. They’re not mountain boots or anything like that, but we definitely sell more Uggs than any other boot.”
- “I love these boots. I have two pairs, and if I like the new styles I will probably buy another pair. Of course, I get my employee discount.”
- “Most of the Uggs customers are teens or college-age shoppers, but the slippers and shoes attract customers of all ages.”
- “I don’t see any new boot style or trend that is going to challenge Uggs. They really are a unique fashion statement.”

*I don’t see any new boot style or trend that is going to challenge Uggs. They really are a unique fashion statement.*

*Sales Associate, Sporting Goods Store  
San Francisco, CA*

▶ **Shoe store sales associate, San Mateo, CA**

This source said Uggs are one of his top-selling shoes. His shoppers range from teens to seniors. He said Uggs have not declined in popularity and are discounted (10%) only once a year in January. Sales of Uggs and all shoes slowed over the summer, but back-to-school has brought the expected sales increase.

- “Uggs are one of my top-selling shoes. They are still really popular.”
- “They only go on sale once a year in January for 10% off. We don’t need to reduce the price to move them. They sell themselves.”
- “The classic Uggs are the most popular, and sales are split equally between the short vs. tall style.”

▶ **Department store sales associate, Franklin, TN**

This source said competitor boot makers do not hold a candle to Uggs, which have their own niche and are the most popular boots among customers. The store sells mostly traditional Uggs; last year customers requested gray Uggs, which the store did not carry. The store expects to sell many Uggs this fall.

- “Uggs have their own niche. They’ve got their own thing.”
- “Gray was a huge request last year [for Ugg boots], and we never had it.”
- “In our location we don’t have tons of the nontraditional [Ugg boots and shoes].”

## Customers

▶ **Twenty-something college graduate, Brooklyn, N.Y.**

This source believes every girl should own at least one pair of Ugg, largely because of their comfort and warmth. She owns one pair of Ugg boots and hopes to buy a cloth gray pair for the winter. She was unaware know of any competitive brands.

- “[Uggs] aren’t the most attractive [boots], but they are comfortable.”
- “I haven’t heard of any similar brands that are competing with Uggs.”
- “The Classic styles [of boots] are comfortable and easy to wear with just about anything.”
- “So far I haven’t seen anything comparable with Uggs in terms of warmth and comfort.”

*I haven’t heard of any similar brands that are competing with Uggs.*

*Ugg Customer  
Brooklyn, NY*

▶ **18-year-old college-bound woman, Irvine, CA**

This source believes Ugg will continue to be popular among the young, college-age set and that new footwear trends will not steal share, particularly in Southern California where people are bent on wearing name brands. She owns three pair of Ugg boots and plans to buy a fourth this holiday season, and loves Uggs for their styles, comfort and durability.

- “I own three pairs of Ugg boots: short black boots, Classic Tall brown boots and short beige boots with fur.”
- “I last got a pair at Christmas 2008–2009. I will buy another pair this Christmas.”
- “I love the Classic Tall because they are comfortable and fashionable.”
- “I like the new Ugg styles, but I only buy the Classic style boots.”
- “Ugg seems pretty diverse since they have boots for wintertime and sandals for summertime.”
- “They are still a must-have. In the wintertime everyone wants to wear their coziest Uggs to stay warm.”
- “I love how comfortable they are and how durable they are, but I wish the maintenance kit for the boots would come along with the boots so you would not have to pay extra.”
- “I don’t think Uggs are overrated. Other boot brands look identical to Uggs at a cheaper price but are not as well-made.”

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*Ugg Customer,  
Irvine, CA*

▶ **60-something woman, Charlotte, NC**

This source loves her one pair of Ugg boots—which she has owned since 2002—and believes they are in a class by themselves in terms of style, comfort and durability. She plans to buy a black pair of Uggs this winter and would not buy another brand unless the deal was too good to refuse.

- “I will definitely buy Uggs no matter what the trend is since they have been such a good investment and have lasted so long.”
- “I received my Uggs as a gift in 2002. I wear them in the winter, and they still look like new. They last forever!”
- “The higher boot style is my favorite. They keep my calves nice and cozy. But the next pair I buy will be the lower boot style because they will be easier to wear with fuller pant legs.”
- “I need to look at the newer styles before I decide which ones I will buy this winter. I haven’t seen all the new styles.”
- “It does not matter if it is a fashion statement to me. They are a good, dependable, long-lasting item.”
- “I love how Uggs keep your feet so warm. The only thing I dislike is that mine has a hard sole so they are not comfortable to wear around the house on a cold winter day to curl up on the couch.”

▶ **British couple in their 20s shopping in the San Francisco flagship store**

This couple said they each own one pair of Uggs. The woman was not that fond of the newer styles and most likely would buy one of the Classic styles. The man owned a pair of the Ugg flip-flops and was looking at a pair of slippers. They said the brand is very popular in the United Kingdom.

- “I think the product is really well made and durable, but what I like the best is how comfortable they are.”
- “I really don’t like some of the new styles. The knitted boot looks horrible. I guess I prefer the

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*Ugg Customer  
San Francisco, CA*

Classic styles.”

- “I don’t see any new footwear trends that are going to displace Uggs. They seem to have a style all their own.”

▶ **30-year-old lawyer, Los Angeles**

This source has two pairs of Uggs and thinks the Classic style is becoming a little dated. She is impressed with the entire sheepskin market’s level of innovation. She expects to buy another Ugg pair eventually.

- “I own two pairs. I have the knitted one and the slouchy boot, which kind of looks like a flat slouchy boot. It’s kind of cool because you can fold them in to make them lower, but I always leave them high.”
- “I’m happy for now although I could see myself buying another pair eventually.”
- “I like the ones that are wearable that don’t just look like you’re wearing slippers. The ones I wear look like regular boots with slouchy black and could pass for a regular boot and has that extra coziness. I was wearing them to work for a while.”
- “I’m generally pretty impressed. They seem to be doing new and exciting things. They really do a lot. There are slippers and moccasins, and everything that seems to be out there, even flip-flop ones.”
- “For a while that original style was very iconic, and it’s kind of gotten to the point where people wear the knockoff stuff. It’s not longer important to have the label.”
- “Ugg keeps its styles really classy, cleaner, preppier. So, in a sense, it conveys a higher-end feel to it. Someone’s mom would not be embarrassed to wear Uggs even if their kids wear it too.”

*“For a while that original style was very iconic, and it’s kind of gotten to the point where people wear the knockoff stuff.”*

*Ugg Customer,  
Los Angeles, CA*

▶ **40-something business owner in Minneapolis**

This source does not like the look of Ugg boots but loves her pair of Ugg flip-flops. She believes the Ugg boot trend will fade eventually and knockoffs will take share unless Ugg can refashion the traditional look and attract a more sophisticated client base.

- “I never liked that fashion trend [of Ugg boots], so I hope its fading. Like any other trend it will fade, and there are so many wannabe Uggs for cheaper prices that it would be hard to keep on top of the same market for much longer.”
- “The only way any fashion company can maintain high popularity is by new exciting styles. ... Because Uggs has name recognition and popularity it may be easier to refashion the look for a more sophisticated client in order to stay on top of their market.”
- “I only own one pair of Uggs [flip-flops]; I’ve worn them for a couple of years and will for many more. ... They are the most comfortable, sturdy flip-flops I’ve ever owned! I believe I bought them in the spring of 2008.”
- “I don’t like the look of the boots, but I love the flip-flops. Because of the fur lining, they are extremely comfortable. When I’m not working, I wear flip-flops most of the time and I appreciate Ugg’s durable construction. They haven’t gotten loose on my feet or broken down in any way.”
- “I haven’t seen any new styles of Uggs, but I will be looking for them in the future.”

## Deckers Competitor

▶ **Director of marketing for a Deckers competitor**

This source said the sheepskin footwear market is not fading in terms of sales and will not decline

anytime soon. His company's sales have increased and at the expense of Deckers, which he said is failing to innovate. Threats to the industry will come from low-priced competitors like The Gap Inc.'s (GPS) Old Navy.

- "The perception is that the sheepskin industry is fading and dying out, but I can be the first to tell you that it is definitely not. In a very unique example, Ugg Australia is our industry leader. They've done a lot for the industry and brought it to the pinnacle of what it is right now, but I also think that because they're a large company and because they're Deckers they've failed to evolve and innovate in the category. Then it becomes very easy for other brands to come in and flex a lot of muscle, and we're one of those brands."
- "Deckers had 10 years of a very successful run with a very classic sheepskin boot, and I think at this point that retailers are putting as many dollars as could be put into this category. I don't think Ugg is going to make the amount of money they've been making in the past. I think they're going to start losing money."
- "There are other people in the category doing amazing stuff, but first and foremost when it comes to innovation we're pretty much it. ... We've become one of the brands to watch in this category this year; you're going to see some amazing things come out of this brand. This is also the first time as a brand we're stepping into advertising, and we're doing national and consumer advertising. We're going up right against Uggs in their backyard and in the magazines they traditionally advertise in, and we're ready to go head-to-head with them. I think we're going to annihilate them. In fact, I'm pretty sure of it."
- "It's always been a situation where it's been David vs. Goliath. If you look at the denim industry it's been the same way. Everyone looked to Levi's as the pinnacle of it, and then Levi's is another brand that failed to innovate and other people came in and innovated and did a better job with it. I'm not trying to give you a sales pitch on it, but I think this is the way things are going to go this season."
- "We're at least well over doubling, if not tripling, if not quadrupling, sales from previous years."
- "When I tell you we quadrupled sales, we're not quadrupling sales with classic styles—let's put it that way. Our classic business is the bread and butter of our business, but it's not the majority of our business. In order to compete with Ugg you have to differentiate your product. The way that they're doing it is faster than us because they're utilizing factories that are producing millions and millions of boots. They're also going it at a cheaper level than us. For us to go head-to-head with them on a classic boot style and try to compete with them, we're going to fail and we know that. What we can do is make better products and more innovative products. We're able to innovate and test ideas in a way that they can't. What we end up becoming is the boot for a woman who doesn't want to look like every other girl on the street. They want something new and something different, so we end up catering to the pack leader. It's a different perspective in our industry for us. It's nice being the underdog that introduces things that people want and have been requesting that other companies can't seem to do."
- "As a market the sheepskin industry is at its biggest point it possibly could be. The dollars that are being spent on this industry are at the biggest they possibly could be. I don't know if it can get any higher than what we're at right now."
- "Where sheepskin as an industry is going, you're going to see sheepskin be a part of shoe styles you weren't expecting them to. The idea that we did a sheepskin-lined gladiator sandal and that sold like crazy is amazing. Nobody does sheepskin-lined gladiator sandals. It

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*Director of Marketing,  
Competitor*

- sold very well because it was well-made and constructed and well-designed.”
- “The money that is allocated at a department store level or at a specialty store level, I don’t know if our industry could squeeze anymore money out of them. It’s very interesting to see quotes coming out of Nordstrom [Inc./JWN] and other retailers that they’re turning a boot a minute. Those numbers are real, but I just don’t know how many more dollars the sheepskin category can draw. As a company in the industry, we are all battling for that same dollar and we are battling for it harder. Right now the industry is at one of its highest points it can possibly be.”
  - “It’s going to diversify from just one company that is the industry leader. In the same way the denim industry has Seven for All Mankind and True Religion and Citizens of Humanity, there’s all these different lines that came up and they make up the denim industry. It’s not just Levi’s that is the denim industry anymore. I think you’re going to see that sheepskin, people are coming into the marketplace.”
  - “You’re going to see high, and you’re going to see low. Last year Old Navy had sheepskin boots and [Fast Retailing Co. Ltd.’s/TYO:9983] Uniqlo had sheepskin boots, and those are the bottom of the retail category. That’s what we’re seeing in the industry. It’s not going to be centered on one company anymore. Sheepskin is coming from a different place and different points of distribution.”
  - “Overall the category is really strong. We liken it to premium denim. Everybody thought that it was a trend and that it would come and go. It’s ended up being very resilient. Retailers say the same thing. They’re always waiting for the boot to drop in this case, and I don’t think it’s going to drop.”
  - “The way that things work in America is that everything is very coastal and then bleeds into the middle. By our nature we’re seeing that from the get-go. There’s new product that has been really embraced by L.A., N.Y., a lot of the coastal areas and the major metropolitan areas and eventually it’s going to penetrate into the middle. Dallas, Atlanta, Chicago, N.Y., L.A. always lead the pack for us. The bulk of our online sales tend to come from those areas first. In general, it always starts in L.A. and then moves to N.Y. and then moves to the rest of the country.”
  - “We see some great penetration in Russia this year, amazingly. Actually, it’s become one of our bigger markets. Russia has been amazing for us. Europe has been penetrated really hard. Another thing that is really interesting is that Deckers just [bought back](#) all of the UK from their existing distributorships. There is something interesting going on there, but it’s odd that after several years of having a distributorship set up they would take back the marketplace and buy it back and dissolve the distributorship especially when it was making them so much money in the UK.”
  - “The threat to the industry is going to come from people who are coming into the industry that don’t have the respect for the material. That’s overwhelmingly where we’re going to see some problems coming into the next season or the next two years. When you have a company like Old Navy come in and do sheepskin boots, the quality is not as high as it could be. The attention to some of the foot-friendly issues that need to be addressed in the product are not being addressed. I’m not saying safety issues with the product as much as comfort issues with the product. The reason that the price point is at where it’s at is because

*I just don’t know how many more dollars the sheepskin category can draw. As a company in the industry, we are all battling for that same dollar and we are battling for it harder. ... To walk into an Old Navy and see \$39.99 or \$59.99 sheepskin boots worries people in our industry because we know the quality is not what it is. As those boots start getting into the marketplace, it’ll overall hurt the category*

*Director of Marketing,  
Competitor*

the materials are very expensive. It's a natural material. It gets assembled by hand. There has to be a dollar amount associated with that. And to walk into an Old Navy and see \$39.99 or \$59.99 sheepskin boots worries people in our industry because we know the quality is not what it is. As those boots start getting into the marketplace, it'll overall hurt the category. That's our fear."

- "Girls love those boots. And they love the things we do to them. I think the retail is going to be very strong. I'd be surprised if something happens."

## Suppliers

### ▶ **Executive with a New Zealand based sheepskin wholesaler**

This source said Ugg remains a steady customer and that recent disruptions in the sheepskin market only play into the company's strategy of underproducing to nurture long-term consumer demand. He believes the sheepskin footwear category is exploding in popularity and that some outright shortages may emerge this winter in the Northern Hemisphere.

- "Uggs is definitely the big dog in the category. That gives them heft with suppliers like us and probably also with consumers. Sheepskin is their category to lose, and in the meantime they are riding the category's growth."
- "Demand for sheepskin from Uggs and other footwear vendors definitely spiked this year, but their sales may not do likewise. I don't have the exact figures available for the category because there's a lot of reselling that goes on, especially in a market environment like this. The major vendors have also indulged themselves in a bit of hoarding—just in case, you understand—so I don't know if a number would really help you figure out how their sales are ramping upward."
- "Uggs is notorious down here for calculating the number of boots it can sell and then only buying enough hide for maybe 90% of that. It lets them keep that aura of being a rare and sought-after item. This is lucky for them because they wouldn't have been able to get enough hide this year to overproduce even if they wanted to do so."
- "China fell in love with leather this year. It sounds simple, but what that meant in practice was that from around January to when their market started looking shaky in May, they were buying everything that used to walk on four feet. With that kind of pull on the Australian ranchers to sell to China, companies like Uggs relied more on us as a source of supply."
- "Unfortunately, New Zealand ranchers have been pulling back on their kills the last few winters, so our supply was limited as well. We had to plead to get our hands on enough to meet our own supply contracts. I shudder to think what those hides would have gone for on the open market!"
- "We are not an Uggs-only supplier, but based on what they got from us, they may not be able to ramp up production going into Northern Winter in any event. It was that tight. I suppose the bright side is that they can plead shortages and maybe indulge in some price increases, or more realistically sell out of their product and leave the people hungry for more."

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*Executive, Sheepskin Wholesaler  
New Zealand*

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*Executive, Sheepskin Wholesaler  
New Zealand*



- “Sheepskin prices have got to rise. Intrinsic demand for this material has gone through the sky thanks to the China market as well as the success of sheepskin-oriented footwear, but global herd numbers are down. It will take time to build them up no matter what the financial incentive is, and that means a bit of a squeeze in the meantime.”

▶ **CEO of a garment trim distributor company**

This source said Ugg and several copycat vendors have ramped up their orders during the last quarter. He credited strong demand for Uggs and bootleg versions from China and elsewhere.

- “Uggs is buying more. There was a plateau in late spring and into early summer, but whatever happened, they came back with a vengeance last month. We are sharply above where we were last year with them in terms of units shipping per week, and even if you adjust for the April–June lull, we are probably up on a full-year basis as well.”
- “A number of our footwear accounts displayed a similar plateau-and-boom type of pattern this year, which leads me to wonder whether something happened in their Chinese factories. I know that for us, there was a strange glitch in the manufacturing cycle around the middle of the second quarter. This was on one of our other lines: backpacks. Quality dipped, and we had to scramble to get usable quantities together before the back-to-school market. Maybe the shoe companies had similar issues.”
- “You can see how popular Uggs are by simply looking at all the pirated copies out there! While piracy is a problem in terms of actual factories in China and elsewhere pumping the stuff out, it is also a matter of legitimate manufacturers knocking out similar product that mimics the look and feel and in many cases uses identical fittings. We have seen a lot of this over the last year. Uggs has become a trendsetter, so that must be good for their business.”
- “I don’t know where Uggs does their assembly or even where they get their leather. I do know that in our footwear accounts, they’re definitely a star: one of the few accounts in that line where we’ve had not only solid growth year-over-year but the kind of copycat effect I mentioned.”

## Industry Experts

▶ **Online shoe sales representative and footwear blogger**

This shoe expert said after a successful seven-year run, Ugg boots are here to stay and are a must-have fashion product. Celebrities drive the fashion trends, and celebrities love Uggs. Ugg’s biggest rivals are companies that sell counterfeit boots at cheaper prices. Ugg will need to reach out to loyal and new customers in order to stay on top of the market.

- “Ugg boots are a must-have fashion product. I compare them to blue jeans; they change their appearance but have secured their place as a staple item in closets everywhere. I have been bracing myself for the last day Uggs go out of style and that day has not happened in the last seven years, so I think it’s pretty safe to say that Uggs are here to stay.”
- “As long as U.S. celebs are caught out in public rocking their Uggs, Uggs will continue to be extremely popular in the U.S. Again, Ugg has proven that they can hang with any fashion/footwear trend that is thrown at them.”
- “The current state of the footwear industry is good. I have worked with the Ugg brand for over seven years, and our site has seen increased sales every year. Part of this is due to the fact that Ugg has done a really good job of keeping up the latest fashion trends and have

*Ugg has done a really good job of keeping up the latest fashion trends and have expanded their line to include wedges, heels, patent leather, etc. ... Ugg will continue to grow as long as they shut down counterfeit operations.*

*Sales Representative & Footwear Blogger,  
Online Shoes Retailer*

- expanded their line to include wedges, heels, patent leather, etc. I'd still have to say the majority of their business is still the iconic classic boots."
- "I think Ugg will continue to grow as long as they shut down counterfeit operations. If not, people are going to continue to buy counterfeit products to save money. If they don't put a stop to this infestation, they're going to be overrun by counterfeit products. Knockoffs don't stand a chance, but some of the counterfeit Uggs I've seen are very hard to distinguish from the real thing. Besides that, they need to keep coming out with great colors in their core products and stay on top of the latest trends."
  - "The 'core' Ugg styles are still the lion share of the market. Everyone loves their frumpy but lovable Ugg boots! The only Ugg products that haven't rocked the market is their summer lineup. Ugg and sandals really don't belong together in my opinion. However, this is another example of what Ugg has done to expand their horizons."
  - "For a product to be as successful as Ugg, there has to be old, loyal customers as well as fresh consumers. This is part of the reasoning behind expanding their line—to appeal to new consumers who may be looking for something a little more tailored and sleek and not so much a bulky sheepskin boot."
  - "The names of brands that have knocked off the Ugg style are infinite. I would say the biggest competitor for Ugg is the counterfeit Uggs that have plagued the market. There are fake Ugg sites everywhere and unsuspecting consumers are scammed out of their money. People who run these fake sites and sell counterfeit products are a huge problem and draw sales away from authentic Ugg sites like ours."
  - "I haven't noticed any footwear trends that would hurt Ugg except for the counterfeiting that is running rampant. I guess you could call it a trend when consumers don't care that something is fake when it looks so close to the real thing and costs a lot less. I remember when wedges made a comeback, Ugg created a line of wedge shoes and boots. Then patent leather has made a comeback, and Ugg has a patent finish for some of their styles. So I don't think there's a footwear trend that would decimate Ugg sales."
  - "Teen girls seem to be a pretty steady market for Ugg boots. But as far as other sheepskin products, I'm not sure."
  - "Of course I own Uggs. I love that my feet are never cold and I don't have to put socks on. They're convenient to slip on and go. However, I have found that it doesn't take much for my feet to get too hot if I'm wearing them indoors for a long period of time, so I mainly wear them when I'm going to be out in the cold. Most of mine have waterproof leather uppers so they're OK in wet weather, too."

▶ **Independent fashion consultant to stores and manufacturers**

Ugg has migrated from being a must-wear accessory to an embarrassing but comfortable and loved staple, except among young girls and in the Midwest where the shoes are seen as fashionable.

- "Uggs are for comfort and warmth only. You don't wear them for fashion reasons. You don't wear them out. EVER. People used to. It was very in, but now that's only for the younger market."
- "Uggs have become more stylish in the Midwest from what I understand, where they're seen as more fashionable."
- "For the fashionistas, they may have a pair from 2008 that they wear around the house or going to get mail or to the market or after yoga but don't wear them out. They wear them like slippers. For these people, once you have one pair you never need another."
- "You still see some girls wearing them at the beach paired with short shorts or little denim

*Uggs have become more stylish in the Midwest from what I understand, where they're seen as more fashionable.*

*Independent Fashion Consultant*

- skirts. They're still out there, but it's younger girls—girls in high school who may wear them out to school.”
- “Ugg competitors are still out there, but part of the problem is that there’s a lot of overlap. There was a day a few years ago when you’d want a pair of high-priced Uggs, but today that’s not the case. You’re fine with a pair made by Minnetonka [Moccasin] or someone else.”
  - “Uggs was trying to launch a fashion line a few years ago, but it was awful. They weren’t able to make that work and had to stick to their core business.”
- ▶ An Ugg fashion blogger does not see any major challenges from Ugg competitors but said the company has not been successful with its new product launches. He also said Ugg has been attracting minority and ethnic groups who previously were not customers, potentially opening up a new revenue source.
- “Considering the economy, Uggs are doing well. The classic Uggs and its minor variations continue to be the best sellers. Their new products don’t sell nearly as well as the classic boots.”
  - “African-American and Hispanics appear to be the new customers for Uggs. In terms of market share, Ugg Australia continues to dominate.”
  - “There are a number of other companies like Koolaburra and Whooga, but they have not been able to make a major dent in Ugg Australia’s market share.”
  - “Uggs are like blue jeans. Everybody wears them, and they never go out of style. I feel that they’ve become a part of American classic wear.”
  - “Uggs for children do well, but despite the fact that Uggs were originally worn by men, most men shy away from them because they’re considered effeminate.”

*African-American and Hispanics appear to be the new customers for Uggs. In terms of market share, Ugg Australia continues to dominate.*

*Ugg Fashion Blogger*

## ADDITIONAL SOURCES

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### Industry Publications

- ▶ An August article on FootwearPlus.com announced the Plus awards for 2009. Deckers won two awards: Boot and Brand of the year for its Ugg Australia brand.  
<http://www.footwearplusmagazine.com/articles/retail-profile/2010/03/winners-profiles-in-excellence>
- “Between boots being one of last year’s hottest silhouettes and the unfaltering popularity of Uggs in all shapes and forms, it’s no surprise that Deckers Outdoor’s Ugg Australia walks away with two Plus Awards in 2009. ‘We continue to build on our heritage,’ notes Leah Larson, the brand’s product director.”
  - “Headed into what is likely to go down as another landmark year for boots, Ugg plans to keep consumers guessing. ‘[We have to] keep surprising them with styles they may not initially expect from us, but once they see them or try them on they understand,’ Larson explains.”
- ▶ A June 18 posting on WWD.com reported that the leader of an Australian counterfeiting ring was found guilty of selling fake Uggs on eBay.  
<http://www.wwd.com/footwear-news/ugg-counterfeiters-to-be-sentenced-3125806>
- “Ugg’s parent company, Deckers Outdoor Corp., said the ring was discovered in 2007 during raids in the Melbourne, Australia area, where thousands of pairs of counterfeit Ugg boots were confiscated. In November 2009, the Federal Court of Australia granted Deckers \$7

million for damages related to trademark and copyright infringement.”

## Blog

- ▶ A June 30 posting on Niche Fever named Ugg Classic Argyle Knit boots as the fashion trend of this season.

<http://www.nichefeverarticles.com/beauty/fashion/argyle-knit-boots-are-the-fashion-trend-of-this-season.html>

- “The UGG Classic Argyle Knit boots are the fashion trend of this season. They mix a traditional prep pattern and cozy sweater knit which make your feet comfortable, you can spoil your feet in the comfortable boots.”
- “Wearing boots has been a fashion trend for a long time. There is a kind of UGG boots looks like the UGG classic Argyle boots, which is the UGG Classic Cardy Boots, they look like the sweater, and very warm and comfortable.”

## NEXT STEPS

**Blueshift Research will interview more stores and customers in middle America to see if Ugg is gaining or declining in popularity. We will monitor Deckers’ distribution in the United Kingdom since terminating its relationship with AMG Group’s AMG Footwear, and will assess the effect of knockoffs and lower-cost alternatives on Ugg. Next, we will research material cost and availability for sheepskin footwear manufacturers. Finally, we will expand our research to include Deckers’ other brands, Teva and Simple.**

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