



Would it be Smart for Retailers to Begin Carrying Smart Phones?

As published in OIA WebNews 10/21/2009

©2009 Outdoor Industry Association

Outdoor retailers are beginning to discuss the need to expand their assortment of portable technology products to smartphones and e-readers to appeal to Generation Y and an expanding definition of what constitutes outdoor recreation.

Proliferation of smart phones, GPS handsets, electronic readers and Wi-Fi are facilitating what people can do outside. More importantly, they are ingrained in the lifestyle of Americans born from the late 1970s to the early 1990s. Sales of e-book readers, like Amazon's Kindle, are expected to approach 30 million by 2014, up 30 fold from today, according to the research firm In-Stat.

The concept sparked conversation among some outdoor specialty retailers at the 14th annual Outdoor Industry Association (OIA) Rendezvous event in San Diego.

"While I was opposed to it at first, I have come to realize that the 'outdoor experience' we had as youngsters is not what today's youth wants," said Norm Cavallaro, owner of North Cove Outfitters in Connecticut. "They have to be 'connected' and if GPS and maps in their phones get them outdoors, then I guess it would be okay."

The discussion reflects two major themes at this year's Rendezvous: the need for the outdoor industry to discard "dead ideas" and the need to act boldly by embracing new ideas and technology to appeal to the emerging generation.

"Mobile technology is becoming part of all aspects of modern life and if the outdoor industry wants to remain relevant, it needs to evolve with the consumer," said Gordon Seabury, CEO of the apparel brand Horny Toad and the Lizard Lounge, a one-store retail concept in Portland, Oregon, that currently does not carry GPS or other personal technology. "At the most basic level, GPS on iPhones is the evolution from the compass, but as importantly, mobile information provides more opportunity to get outside. Embracing that reality will be healthy even if generationally, it is hard to understand or accept this new form of outdoor recreation. As they say, you need to listen to your customer and they are a new and technologically advanced breed."

Carrying a wider assortment of personal technology would not be much of a jump for most outdoor companies, which are embracing blogs, Facebook, YouTube and Twitter to help build their brands online. The best attended sessions at Rendezvous this year were dedicated to harnessing Twitter, Facebook, YouTube and other online media to build brands.

Personal technology sales keep on chugging

Despite the recession, ownership of consumer electronics products continues to increase, according to the Consumer Electronics Association's *11th Annual Household CE Ownership and Market Potential* study. Portable/handheld GPS units increased their household penetration in the United States by 10 points to 30 percent in 2009, according to research by the Consumer Electronics Association. That tied it for first place in growth with HDTVs (52 percent), LCD flat panel TVs (36 percent) and external storage devices (49 percent). Smart phone penetration rose 9 points to 27 percent. Smartphones have risen from 3 percent to 20 percent of the cell phone market in recent years, while Blackberries have gone from 1 percent to 9 percent, according to Marshal Cohen, chief industry analyst with NPD Group.

Personal technology also has the appeal of very high sales per square foot, noted Seabury, who sees a potential fit in the travel section of outdoor stores.

Of course a prime factor driving greater penetration is steadily falling prices, which may not appeal to outdoor specialty retailers. Successful technology products tend to move from specialty and into mass and Internet channels fast. That might help explain the sudden drop off in GPS sales at specialty outdoor channel earlier this year. From January through June, GPS dollar sales fell by one third at outdoor specialty stores, while rising 4.1 percent in at chain stores, according to the *OIA Outdoor Topline* sales data. On the Internet, GPS sales rose 9 percent, or three times faster than online sales of overall equipment accessories.

More importantly, smartphones are rapidly incorporating portable GPS as yet another app, meaning that growth of stand-alone GPS sales will eventually taper off.

Specialty outdoor retailers will have a tough time competing in such a rapidly shifting market, said Cavallaro. Still, to remain relevant, he said larger retailers may need to plunge even deeper into personal technology.

"I think 'the big guys' could negotiate deals with the cell providers that would make it possible for them to use phones as a way to get people in their stores," said Cavallaro. "They could have 'Apps' with their logo to take their customers on-line to shop as well as a way to social network with them."