

# Reebok: In Step with the Market

By Kei Uchimura

**T**he sound of hard leather soles hitting city sidewalks is heard less and less in Japan. More and more, they are being replaced by soft soles. This was so noticeable last year, in fact, that the phrase "Reebok phenomenon" was coined to describe it.

The Reebok phenomenon is especially in evidence in Tokyo, where athletic shoes made of thin, supple leather have been enjoying tremendous popularity with young people. Shoe stores specializing in leather sneakers have been sprouting up all over the city. Both foreign and domestic manufacturers are scrambling to compete as the athletic footwear business continues to grow larger and more lucrative. But one brand name stands atop the market: Reebok.

Although its origins go back to a small town in England in 1895, Reebok did not make its big push into the U.S. market until 1979, when it rapidly became the top name in athletic footwear. In 1983, Reebok came out with the first leather aerobics shoe for women. Made of a light, soft leather called "garment leather," this product helped the company boost its total sales for the year to \$13 million—a 270% increase over the previous year.

Reebok followed this with new lines of shoes for tennis and fitness, and by taking advantage of the health craze sweeping America. As a result, Reebok has been able to build a solid customer base and has grown into America's largest—and the world's second-largest—manufacturer of sports shoes.

But Japanese consumers are fickle. Although Reebok Japan Inc. has continued to enjoy annual sales increases since its establishment in 1986, it has watched its share of the aerobics and fitness shoe market dwindle from a high of 70% in 1986 to only 40% today. Competition in the leather athletic footwear market is expected to get even tougher over the next few years, and Reebok Japan will be in the thick of it. To cope, Reebok plans to unleash a new sales campaign de-

signed especially for the Japanese market.

What are the reasons for Reebok's success in Japan so far? How does Reebok see the differences between Japanese and American consumers? What has the company's sales strategy been? How is the emerging Japanese market shaping up? These are all factors contributing to the new strategy.

Reebok Japan sold 360,000 pairs of shoes in its inaugural year (1986) for sales of ¥2.2 billion. The next year, it sold 800,000 pairs valued at ¥5.4 billion. The outlook for fiscal 1988 (actual results to be announced in March 1989) is for 900,000 pairs of shoes at ¥6–6.5 billion (\$48–52 million at the rate of ¥125/\$). And in 1989, Reebok intends to sell 1.2 million pairs of shoes. How did Reebok break into the Japanese market?

Tetsuo Mochida, president of Reebok Japan, says it was the changing Japanese lifestyle that led to expansion in the sports shoes market, and that Reebok was quick to recognize this trend. "The Japanese sports shoes market started to take

off between the late 1970s and the early 80s as the jogging craze took off. This same period saw the growth of easygoing sports that became part of everyday life—not competitive sports in quest of records but non-competitive sports played for enjoyment and satisfaction.

## Comfort and fashion

"Group aerobics became increasingly popular soon afterward. Our strategy was to meet this new demand by offering shoes that provided cushioning and support, that were comfortable to wear, and that appealed to the person's sense of fashion."

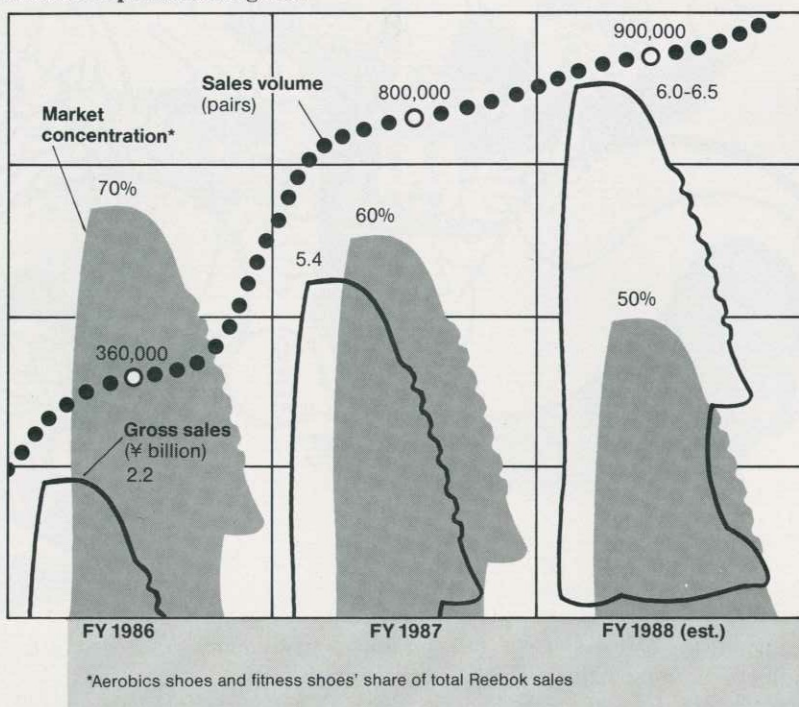
Of course, this was not the only market opportunity that Reebok saw. It also saw the potential for athletic footwear as everyday walking shoes as well. Just as Reebok was quick to learn that Japanese consumers do not mind spending money on quality, it was glad to find that they have a very high degree of brand loyalty.

As in the United States, the product



Tetsuo Mochida: "We are planning to introduce shoes specifically tailored for every age group."

## Reebok Japan Sales Figures



was at first targeted on health-conscious working women. In America, health has become the prime concern of women busy doing housework, raising children, and still putting in overtime at the office. It was these working women that were responsible for the popularity of walking and aerobics shoes in America as they switched from high heels to Reeboks for commuting.

To go after this market, Reebok Japan began a new sales campaign promoting the New York chic wear of sports shoes with a business suit or dress. Consumer values are different in the United States and Japan, however. Explains Mochida, "In America, Reeboks were brought into the workplace. Typically, office workers would wear Reeboks for the commute to work and then change into dress shoes at the office.

"In Japan, however, women do not wear sports shoes to the office. Wearing Reeboks at work just is not accepted in Japan. Of course, Americans wear shoes more and walk farther, and thus go through more leather-soled shoes than Japanese do. America has a per-capita annual shoe consumption of four pairs as compared with only 0.7 pairs in Japan. More importantly, though, it is generally people in their 40s and 50s that determine what type of shoes can be worn at the office."

The fact that these middle-aged and older people have so much influence has also affected Reebok's advertising in Japan. "A lot of our advertising in America stresses individuality and distinction. But that is not the way to appeal to the people we have to reach in Japan," says Mochida. "Japanese society is generally more homogeneous, and there is more of a premium on fitting in."

So far, most Reebok customers are 20-25 years old, with an even split between males and females. Reebok's popularity is readily obvious to anyone who looks at what the college students and "pink-collar" workers hanging out in fashionable Harajuku and Shibuya are wearing. Reeboks have become firmly established as a premier fashion product for these younger Japanese. The differences in consumer psychology can best

be summed up by saying that Americans are health-conscious and Japanese fashion-conscious.

### Prices set high

What has Reebok Japan's basic sales strategy been so far, and what does the company have planned for the future?

Reebok has strived for market dominance by stressing that it is a special product for special people and by emphasizing its enduring popularity. To do this, and to maintain its reputation for high quality, prices are purposely set high. Despite a December 1988 price cut for some lines, Reeboks for men run from ¥9,000 to ¥15,000 (\$72-120) and for women ¥7,800 to ¥14,000 (\$62-112).

The quality image and reputation for reliability have also been buttressed by shrinking the number of outlets to 600. Reebok has concentrated its sales in chic, higher-class areas, and about 70% of sales are in the Tokyo area. In addition, Reebok has put considerable effort into promotions and sponsorships of such major events as the All-Japan Aerobics Championship.

The sports shoes market is changing,

however, and Reebok's share of the athletic footwear market has fallen to 40%. At the same time, aerobics and fitness shoes have become less important to Reebok's total sales, slipping from 70% of sales in fiscal 1986 to 60% in 1987 and probably 50% for fiscal 1988. The market appears to be approaching saturation, and this mandates a new marketing strategy.

Asked about this, Mochida said, "As in the United States, we plan to target a broader segment of the market. In Japan, this means that we will go after people in their 40s and 50s, as well as children. Although older Japanese are not into leisure activities very much, they are concerned with their health and recognize the need to be more active physically.

"We are planning to introduce shoes specifically tailored for every age group—we want people to grow up with Reeboks, and we want to have something for them at every life-stage. We want people to get used to the idea of comfortable shoes and to buying shoes that are designed specifically for comfort. Instead of concentrating on the teens and 20s, we plan to sell shoes to people at every stage of life—from pediatric to geriatric and everywhere in between."



In a way, this marks a new start for Reebok in the athletic footwear industry. First of all, the company is going to reclassify its shoes into three classes by price: under ¥10,000, between ¥10,000 and ¥15,000, and ¥15,000 and up. To increase sales outside of Tokyo, Reebok plans to expand its sales network to 1,000. Once that is done, it will attempt market segmentation by emphasizing the ¥15,000-and-up shoes in Tokyo and the under-¥10,000 shoes outside of Tokyo.

In its promotions, the company is trying to enhance its appeal to the over-40 crowd with neighborhood events at the community level—most of which will emphasize “power walking” and other healthful activities, and will seek to make people more conscious of nutrition, exercise and health maintenance.

### Lagging trend

In another move to regain momentum, Reebok Japan will start marketing sports shoes for children this year, to be followed later in the year with new shoes for adults as well. All Reebok shoes, whether they be for aerobics, tennis, jogging or running, will feature the ERS (energy-return system). The traditional shoe offered shock absorption only at the point of impact, but Reebok’s ERS redirects the energy of the impact back into the

ground, actually making the wearer feel lighter on his feet.

Because trends in Japan are generally about three years behind the U.S., Reebok is counting on a greater health-consciousness in Japan’s sports shoe industry before long—and is hoping that it can convince as many people as possible that Reeboks have superior functionality. Japanese seem to place more emphasis on form than on function, however, and form is something that is easily imitated. Function, on the other hand, is difficult to imitate and is thus unique to each brand of shoe. This is the message that Reebok wants to get across.

Looking back at events since 1986, it is clear that further sales growth in the Japanese market will not be easy. Reebok Japan put a lot of effort into promoting the lifestyle of New York’s working women, and it has been very successful with young fashion-conscious men and women. These people were not attracted by function at all, and they bought Reeboks purely for their fashion appeal.

The life cycle for purely fashion products is very short in Japan, however, especially in Tokyo. Still, the food, housing and clothing markets are saturated, and the only way a company can survive is with differentiation in design, quality and other elements. Mass production has given way to small-lot, personalized produc-

tion, and product life cycles have become shorter—as epitomized by the meteoric rise and subsequent fall of some novelty goods. Reebok’s fall in market share is just another casualty of Japan’s rapid product life cycles.

Thus Reebok Japan is launching a new sales campaign this year in an attempt to reposition its products and to develop new niches such as the over-40 market. If Reebok succeeds in selling its functionality, it will not be the fashion-conscious young people but the health-conscious over-40s who will be its most-valued customers. And how well Reebok sells among this crowd will be a good indicator of how likely Reeboks are to find their way into Japanese offices.

Conventional wisdom in the Japanese footwear industry has it that booms generally last three years. First it was sneakers, and more recently it was jogging shoes. Reebok Japan’s three-year clock ran out in 1988, and the success or failure of its new marketing strategy should also provide valuable insights into the Japanese market.

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