ARCHERY TRADE ATA ASSOCIATION

INSIGHT V1 05

ARCHERY TRADE ASSOCIATION

UNDERSTANDING THE INDUSTRY

A LOOK AT THE ARCHERY MARKET AND RETAIL SALES

Limited resources are available to archery dealers and manufacturers to help them understand the size of the archery market, the sales volume of major product segments or how to measure their respective business' success. Individual companies must rely on their own sales estimates for the archery product segment they service, examine published market studies for clues or hire "experts" or consultants to help them estimate archery retail sales. The Archery Trade Association (ATA) recognizes the problem this creates for both dealers and manufacturers, and is committed to providing additional services and business information to its members to help them be more successful and profitable.

Gathering market information and developing business statistics that help archery dealers and manufacturers grow and succeed was a primary objective and a major focus of the ATA in 2004.

In 2003 the ATA began to collect industry financial information to help minimize this problem, and completed a confidential dealer survey in conjunction with the Dealer Council. The survey results provide a better understanding of the archery industry, and identify simple measurement tools to help dealers understand and measure their business performance. Market information from the confidential dealer survey was supplemented with published shopping center sales data, information available from public company financial reports, excise tax collection data and interviews with archery company executives to develop a better understanding of the total archery market and independent retailer sales.

Publication material based on "Understanding the Archery Market and Retail Sales," an article written by Erik Watts, published in *Archery Business'* "Archery University" issue · Spring/Summer 2004.

THE DEALER COUNCIL IDENTIFIED SEVERAL KEY QUESTIONS COMMONLY ASKED BY ARCHERY DEALERS OF ALL SIZES:

- How big is the total archery market and is it growing?
- What is the impact of box store growth on the retail archery market?
- How many archery dealers are there?
- What should my sales mix be?
- How does my business compare to other dealers?
- What should my sales goals be, and how do I measure results?

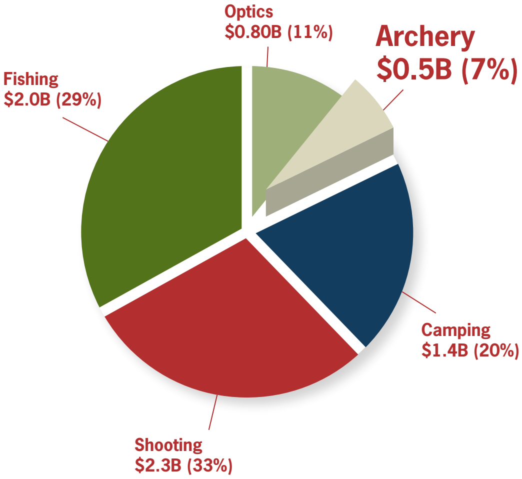
HOW BIG IS THE TOTAL ARCHERY MARKET?

The National Sporting Goods Association (NSGA) reports that U.S. retail sporting goods sales were $46.2 billion in 2002, with the largest segment being $22.3 billion of equipment sales, followed by footwear of $14.1 billion and apparel of $9.9 billion. Outdoor products are the largest segment of the equipment market with $7.1 billion in sales followed by exercise equipment at $4.3 billion, team sports at $3.5 billion and golf at $3.3 billion. The outdoor equipment product category includes shooting, camping, fishing, optics and $535 million of archery sales.

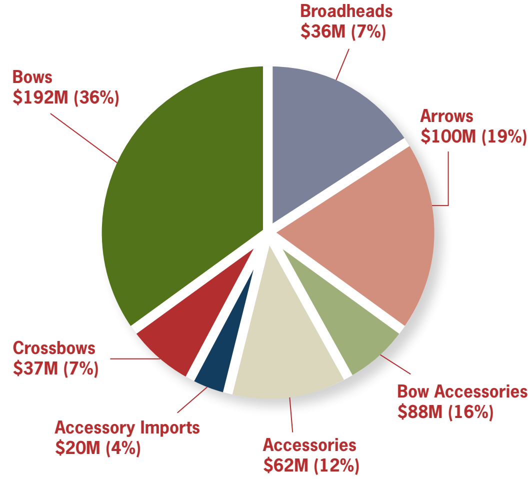
Estimated bow sales of $192 million comprise 36 percent of the $535 million archery market, followed by arrows, shafts and components at $100 million, bow accessories at $88 million, crossbows at $37 million and broadheads at $35 million. Excise tax is collected on all of these product categories that make up 85 percent of total archery retail sales. The remaining $82 million segment of the archery market consists of numerous non-taxable archery accessories (targets, release aids, leather goods, imported accessories, etc.). Products sold by an archery dealer that are not used exclusively for bowhunting or archery (i.e., treestands, blinds, clothing, boots, optics, videos, scents/lures and other hunting products) are all excluded from archery sales statistics.

With total retail sales of barely $100 million in 1974, the $535 million archery market experienced significant growth in the past 30 years. Less apparent is the impact that the shift in archery retail channels of distribution has had on the industry. In the 1980s most retail sales were completed through local specialty archery retailers, and the retail archery market had not yet seen the impact of significant archery retail sales via mail order or through mass merchant/box stores (MM/Box stores). Archery dealers experienced significant sales increases from 1985 through 1995 during the rapid growth period for bowhunting and 3-D archery. However, MM/Box store interest in archery sales also emerged during the 1990s and has had a significant impact on the independent retailer whose total sales volume appears to have flattened since 1995.

2002 US RETAIL OUTDOOR EQUIPMENT SALES ($7.1 BILLION)



WORLDWIDE RETAIL ARCHERY EQUIPMENT SALES ($535 MILLION)



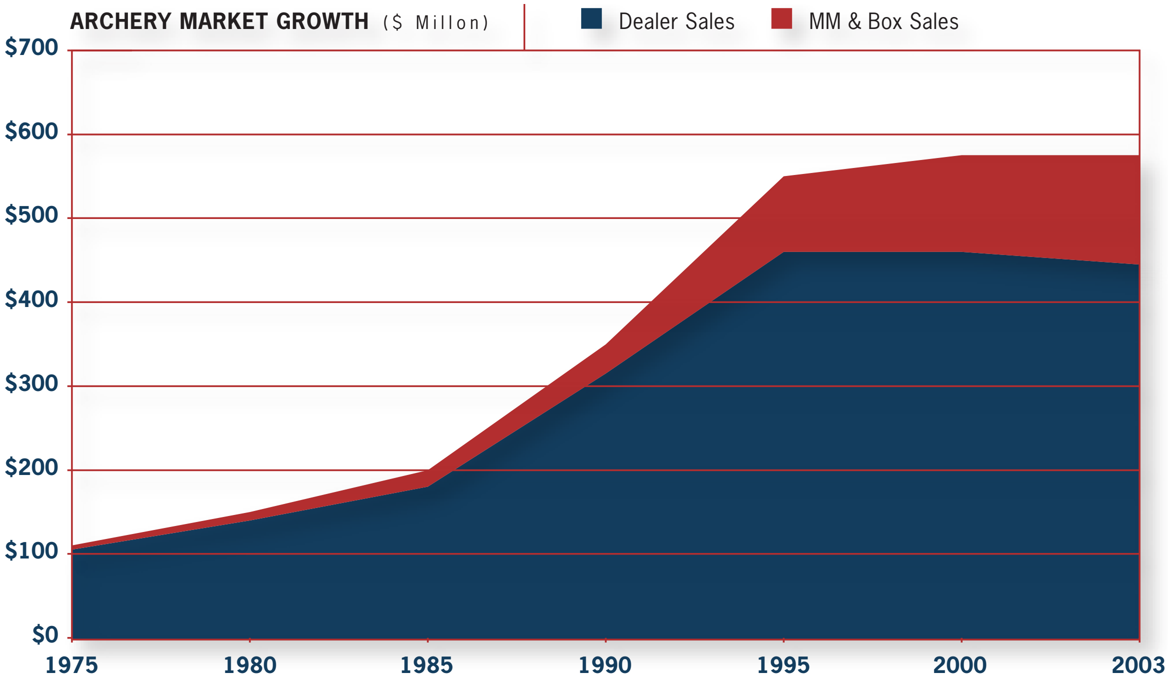
HOW DO MAIL ORDER, MASS MERCHANT & BOX STORE SALES IMPACT ARCHERY RETAILERS?

Many dealers consider mail order, mass merchants and box stores their mortal enemies because of the impact MM/Box stores have had on dealer profit margins in several key product categories. Learning how to manage the impact of MM/Box stores on a retail dealer has been the subject of numerous articles and seminars given by dealers who are successfully competing with this retail sales channel. Recognizing that MM/Box stores are not going away, the successful dealer is often able to exploit the MM/Box stores' potential to create archery exposure to new retail customers, who may not find a specialty archery retailer on their own. Featuring services unavailable at MM/Box stores and proper product selection are the key to an archery dealer's success in competing with MM/Box stores.

Several mass merchants and box stores are public companies, so there is a significant amount of public information regarding their total sales, sales per square foot, average sales per store and profits. There is very little information, however, that allows us to determine the archery segment of their sales. Assuming that MM/box store retail sales per square foot of archery products are not significantly different than their overall sales per square foot, MM/box stores archery sales are estimated to be $140 million, about 28 percent of the retail archery market.

THE ARCHERY MARKET AND RETAIL SALES

Though archery products are sold through e-commerce, this has not had a major impact on archery sales to date. *The Wall Street Journal* estimates that only 4.5 percent of retail sales were over the internet in 2003, up from 3.6 percent in 2002. There is no evidence that archery sales over the internet would be any greater than general retail sales. The combined mail-order and e-commerce segment of the retail market is in the $30 million range (about 6 percent of the market), and appears to be stable or growing slowly.



HOW MANY ARCHERY DEALERS ARE THERE?

The ATA has compiled a list with nearly 6,000 retail outlets that sell archery equipment. Six thousand retailers is also very close to the number of dealers serviced by several of the major archery distributors. Understanding the business characteristics of these retailers is a challenge and was a focus of the ATA industry study in 2004.

The Dealer Council estimates there are about 1,200-1,500 full time independent archery-only retailers that represent 20 percent of the 6,000 retail outlets. This estimate

FACTS SUMMARIZED:

6,000 ESTIMATED RETAIL OUTLETS

20 percent (1,200-1,500) of these retail outlets are full time independent archery-only retailers

- Total estimated independent dealer retail archery sales: *$338 million*
- Average full time dealers' sales: *$282,000*
- Average full time dealers purchase 75-95 percent of their products *from manufacturers*

80 percent (4,800 dealers) of the 6,000 retail outlets:

- Average sales of *less than $20,000 / year*
- Primary source for archery products: *archery distributors*

is confirmed by several major archery manufacturing companies that have between 1,000-2,000 retail accounts that purchase product directly from the manufacturer. These full time dealers' average sales are $282,000 based on total estimated independent dealer retail archery sales of $338 million.

The 2003 dealer survey revealed that the larger full time dealers purchase 75-95 percent of their archery products directly from the manufacturers, and only fill in from distributors on a limited basis. It is very likely these same 1,200-1,500 dealers are on every archery manufacturing company's dealer list.

Many of the 4,800 dealers that make up the remaining 80 percent of the retail archery outlets are: seasonal retailers, small archery departments in a gun dealer or sporting goods store, part-time dealers, archery clubs and hobbyists buying and selling products to their friends.

These 4,800 archery outlets have average sales of less than $20,000 per year. Their primary, and in many cases only, source for archery products is the archery distributor.

HOW DOES YOUR RETAIL STORE COMPARE TO OTHERS?

The 2003 dealer survey included a representative sample to generate dealer sales data for the larger full time dealers, but it did not include and may not be representative of the sales mix of the 4,800 smaller archery outlets. The following should be noted:

- Surveyed dealers were large dealers with computerized sales records that could break out sales by product category.
- Dealers surveyed were geographically dispersed throughout the country.
- Sales mix information was consistently summarized for all dealers.
- Reported sales included archery products only, not general hunting products.
- Retail square footage in each store was consistently defined.
- Gross margin information was not collected from every dealer.
- Box store sales data is very limited.

The following chart shows the total market sales mix by product category, and sales mix of MM/Box/Mail-Order compared to the Independent Dealer. This preliminary data confirms the general perception that MM/Box stores sell a lower percentage of bows and arrows (primarily driven

2002 RETAIL SALES MIX BY CHANNEL

	Total Market	MM, Box, Mail Order	Independent Retailer
Bows	38 %	24%	40%
Bow Accessories	15 %	22%	17%
Arrows	17 %	15%	21 %
Broadheads	7 %	10%	4%
Accessories	11 %	22%	11 %
Accessories Imports	6 %	--	4%
Crossbows	6 %	7%	3%
	100 %	100%	100%

HOW DOES YOUR RETAIL STORE COMPARE TO OTHERS?

by less selection of high end products and price points), and a significantly higher percentage of broadheads and accessories (due to their buying power and ability to offer much lower accessory prices than the independent dealer can match).

The sales mix variation among surveyed dealers revealed a significant spread in the percentage mix within the same product categories. The extremely high bow (46 percent) and arrow (40 percent) sales mix was reported by a large dealer carrying inventory of nearly all bow and arrow companies. It was located near a major metropolitan area and was the “go to” dealer for “anything” the archer and bowhunter required.

DEALER SURVEY RETAIL SALES MIX RANGE

	Average	High	Low
Bows	40%	46 %	30 %
Bow Accessories	17%	27 %	6 %
Arrows	21%	40 %	13 %
Broadheads	4%	7 %	3 %
Accessories	15%	22 %	7 %
Crossbows	3%	15 %	0 %
	100%	N/A	N/A

Average dollar sales volume for the dealers surveyed was $484,400. This is significantly higher than the $282,000 average sales of the 1,200 full-time dealers. Archery sales were 84 percent of the dealers’ retail product sales with non-archery and general hunting product sales only 16 percent. This data appears to confirm the dealer perception that non-archery product categories are being dominated by the MM/Box stores where low price has become the key retail factor.

The average shop size was 4,000 square feet, with 1,600 square feet of retail space and 2,000 square feet committed to shooting ranges. Average retail sales per square foot were $280, range revenue was $10, video range was $15 and service was $26 per square foot.

DEALER SURVEY TOTAL REVENUE

	Sales	Net Sq. Ft.	Revenue Per Ft.
Archery Sales	$ 381,000 (84%)	N/A	N/A
Non-Archery Sales	$ 72,000 (16%)	N/A	N/A
Total Retail Sales	$ 453,000 (100%)	1,600	$280
Other Revenue			
Range / Lessons	$ 14,300	1,500	$ 10
Video Range	$ 8,000	550	$ 15
Service	$ 9,100	350	$ 26
	$ 484,400	4,000	$121

HOW DOES YOUR RETAIL STORE COMPARE TO OTHERS?

DEALER SURVEY AVERAGE RETAIL SALES - Archery only (84% of total retail sales)

	Sales	Percent
Bows	$ 154,000	40%
Bow Accessories	$ 66,000	17%
Arrows	$ 78,000	20%
Broadheads	$ 22,000	6%
Other Accessories	$ 53,000	14%
Crossbows	$ 8,000	2%
Archery Sales	$ 381,000	100%

The major cause of variation in sales per square foot among these dealers was the product selection offered, and whether the dealer focused on lessons, leagues and service. In some cases lower sales per foot was caused by an oversized building in a rural area with minimal monthly rent. Dealers who did not charge their customers for the value of their service only had $6 per square foot of revenue versus the $26 average. Range revenue of only $3 per foot was a "loss leader" in shops that did not focus on leagues and lessons. Dealers that promoted their range with leagues and lessons earned over $10 per foot which covered the total cost to operate the range in nearly every dealer. Each of these factors must be evaluated by the dealer to determine why their sales in each area of revenue are different than the dealer average.

The average bow price was $418 (range of $249-470). The low $249 average bow price was in the dealer with the highest percentage (46 percent) of bow sales caused by his major focus on youth and beginning archers or bowhunters with low end starter bows from nearly every manufacturer. Overall gross margin varied from 32-46 percent, and pretax profit varied from 2-10 percent.

DEALER SURVEY AVERAGE REVENUE RECAP

	Average	High	Low
Retail Sales / Sq. Ft.	$ 280	$ 558	$ 92
Other Sales / Sq. Ft.			
Range	$ 10	$ 47	$ 3
Video	$ 15	$ 32	$ 4
Service	$ 26	$ 76	$ 6
Total Revenue / Sq. Ft.	$ 121	$ 236	$ 37
Average Bow Price	$ 418	$ 470	$ 249
Gross Margin	--	46 %	32 %
Net Profit	--	10 %	2 %

HOW DOES YOUR RETAIL STORE COMPARE TO OTHERS?

MM/Box stores have an increasing effect on archery dealers, but they also provide a useful benchmark for the independent retailer to measure his business success. The following chart shows the retail sales per square foot, gross margin and profit percentage for several MM/Big Box public companies to compare to the same information from the archery dealer survey.

RETAIL SALES COMPARISON (Most recent SEC 10(k) reports available - Spring 2004)

	Sales/Ft.	GM%	Profit %
TSA/Gart Sports	$166	27.3%	1.4%
Dicks Sporting Goods	$225	26.5%	3%
Wal-Mart	$406	22%	3%
Galyans	$308	24.8%	1%
Archery Dealer Average	$280	32-46%	2-10%

Retail survey with average of 1621 sq. ft. of retail space had $92-558 sales per sq. ft.

MOVING FORWARD

Although the information included in this report is a sampling of the total industry, it allows dealers to develop a basic understanding of their own business, measure their performance and determine how they compare to other dealers.

ATA believes the financial strength of the independent archery retailer is critical to the long-term growth of archery. Successful dealers are the key to growing archery and bowhunting. If you are interested in participating in Archery Trade Association programs to develop better information and financial tools to help dealers improve their business, the first step is to become an ATA member. Retail memberships include a free listing on www.ArcherySearch.com, helping consumers find your store. Memberships are free to retailers for the first year. Manufacturer memberships include annual Trade Show discounts, including discounted exhibitor space, badges, hotel rooms and more. In addition, all members receive access to the comprehensive service provider network that offers substantial discounts on products and services for your business.

ATA is looking for retailers who have a point of sale retail information system in their stores to track sales and other business information for periodic comparisons. Gathering this information from dealers throughout the country will allow ATA to compile and publish sales data, in turn allowing dealers and manufacturers to understand the overall industry's progress. This information will be collected on a confidential basis, and published in summary format by region. If you would like to participate or become an ATA member, please contact the Archery Trade Association toll free at 866-266-2776 x1, directly at 801-261-2380, or email us at info@archerytrade.org.