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Sneakers Get Higher Tech, Higher Priced

Air bags and motors, anyone? Makers are in a continual race for the flashiest athletic shoe.

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The latest models are decked out with flashing lights, air bags and a speedy motor that delivers more torque.

It's not the hot new offerings from Toyota or BMW, but the next generation of high-performance athletic shoes.

Nike Inc. will begin selling a \$160 running shoe today that, for the first time, incorporates a heel-to-toe air-filled cushion that offers more comfort and durability. In May, Adidas will counter with a \$250 basketball shoe packing a motor with "153% more torque" and lights that blink when the heels are ready to run, jump or dunk.

The world's dominant athletic shoe and apparel companies are betting that buzz generated by their costly shoes will provide an updraft for the rest of their athletic gear.

But the high-tech sneaker war prompts the question, what's next?

"In their attempt to build in such sophistication and functionality, they could get to the point where consumers basically say, 'I give up,' " said Peter Sealey, chief executive of Los Altos Group, a Bay Area consulting firm.

Like previous models, the high-end shoes will appeal mainly to hard-core athletes and trend-conscious consumers. Shoes that retail for more than \$100 accounted for just \$611 million of the \$8 billion that Americans spent on running and basketball footwear during 2005, according to NPD Group, a Port Washington, N.Y., market research company.

Marshal Cohen, the company's chief industry analyst, says that only 24% of running shoes sold are worn by runners and that just 34% of consumers who buy basketball shoes step onto a court.

Shoe companies will keep chasing the perfect blend of technology and fashion. Engineers and designers talk of future footwear that would be as comfortable as form-fitting socks and made from ever-lighter materials that are increasingly durable.

"If I knew what the magic blend was, I'd be talking to you from my yacht in St. Tropez," said Richard J. Heckmann, chairman of Carlsbad, Calif., sporting goods company K2 Inc., which manufactures performance-oriented shoes for skateboarders. "It sometimes comes down to magic, luck or who's wearing it on 'The OC.' "

Twenty-five years ago, engineers at Nike, based in Beaverton, Ore., first replaced relatively heavy foam cushioning with a lighter, more durable air bag. The Air Max line made its debut in 1981, and sales got a significant boost in 1987 after a designer cut a window into the sides of shoes so that customers could see what replaced the cushioning.

"It's hard bringing a new shoe to market unless it first has shelf appeal, something that sets it apart from the others," said Tim Geis, senior vice president for Indianapolis-based Finish Line Inc., which operates more than 500 stores. "If the shoe looks good and the technology is there, people will buy it."

Some marketers use a bit of show and tell.

Finish Line is inviting consumers to tread on oversize air bags stationed in its stores to get a feel for Nike's most expensive running shoe, the Air Max 360. Nike commercials will feature tennis player Maria Sharapova, baseball star Alex Rodriguez and quarterback Tom Brady to extol the virtues of running on air.

Adidas-Salomon of Germany added a window last year to display its first "intelligent" shoe so that consumers could see the equipment in the sole, said Stephen Pierpoint, the project manager for the adidas_1 shoe.

The shoe, which will be launched this year, will have a key card so that wearers can activate a microprocessor-controlled motor to experiment with the heel, which automatically adjusts itself.

And, given the increasingly short shelf life of shoes, both companies soon will be back with new models.

Apple Computer Inc.'s iconic iPod has proved that technology isn't enough — the product also has to look stylish.

In the performance athletic gear market, “it’s a given that the product is going to function,” Pierpoint said. “Fashion doesn’t come first, but if we get the [performance] formula right, we’ll create a great-looking product.”

Nike and Adidas have picked a relatively good time in the industry’s economic cycle to introduce their new shoes. Sales of basketball and running shoes that cost \$100 or more tumbled by 19.4% during 2004 but soared by 46.4% last year.

Athletic shoes had dropped by 6% to a four-year low in the American Customer Satisfaction Index. “The culprit is price,” said University of Michigan professor Claes Fornell, who directs the survey. “Customers perceive declining value for money throughout the industry.”

Fornell noted that although overall athletic shoe revenue was up during 2005, so were prices — 5% higher for men and 10% for women.

Though consultant Sealey suspects that many consumers will tire of the technological tweaks, history suggests that the new-and-improved parade won’t slow. “Gillette introduced the first two-edged safety razor in the 19th century, and I read something the other day about them coming out with a five-blade razor.”

“How hairy can we be?” analyst Cohen said with a laugh. “If the second and third blade don’t do the trick, will the fourth and fifth really do any better?”

