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Striving for balance.

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Abstract:

New Balance is attempting to maintain its identity as a niche player by producing running shoes and extra-wide sizes while diversifying into children's, walking and cross-training shoes. This balancing act has increased sales for the company from \$221 million in 1992 to a projected \$450 million in 1996. New Balance will introduce a mid-priced basketball shoe in 1996.

Full Text:

Playing niches. That's how nimble footwear companies have increased sales in the shadow of Nike and Reebok, whose broad product lines and marketing might could blow lesser companies away.

Versus that, New Balance has always banked on its specialty products, especially running shoes and extrawide sizes. But under chairman Jim Davis, the company has been quietly, ever-so-slightly diversifying with walking, cross-training and kids' shoes, while maintaining its niche as a hardcore running enthusiast's brand and, even more narrowly, as that of the enthusiast looking for customized shoes. It has paid off in steady, if not spectacular, growth, as New Balance expects to ring up \$450 million wholesale this year worldwide, more than double its 1992 sales of \$221 million. That looks more impressive as the \$7 billion athletic footwear market remains flat and established players like Reebok, Converse and L.A. Gear bleed market share.

New Balance cracked the athletic footwear industry's Top 10 last year, but as it morphs into a medium-sized player, Davis wants to stay with the niche strategy that got him here. This year New Balance will boost advertising modestly from its \$3.5 million annual outlay and dance on the edge of the Olympic Games with a minor international governing body sponsorship--the modern pentathlon, a grueling individual event it thinks will appeal to its fanatical demo (Brandweek, Jan. 29). It will give away tickets to the Games and schmooze retailers at New Balance's new Atlanta outpost, a building it bought just for the Games.

"We want to make the best product we can in the niche that we're in. That strategy has always been there," Davis said. "We have a great group of people working here, good relationships with dealers, and we can supply them quickly because we're a domestic manufacturer."

New Balance will also introduce a value-priced basketball shoe aimed at thirty-somethings, a departure from the feeding frenzy in the high-priced teen market. "Basketball is the No. 1 category," Davis said. "If you want to be a player, you gotta have a basketball shoe."

Davis took charge of New Balance in 1972. After stints in marketing and sales for high-tech firms, and with a degree in biology and chemistry, Davis paid \$100,000 for New Balance and its six-person staff, then making 30 pairs of shoes a day. He kept specialty sizes and when running boomed in 1976, New Balance found its toehold in the industry.

"He's one of the most reputable men in the industry," said Bruce Blanke, an Athlete's Foot operator in Woodbridge, New Jersey. "In many ways they're the best company to do business with--they have integrity and commitment to good product."

New Balance has even used retailers' insights to target core users. When it introduced its first cross-trainer in 1994, New Balance research showed its trade thought the category was too leisure-oriented for many consumers, so the company pitched a high-performance shoe priced below more fashion-conscious brands. The cross-trainer now accounts for 21% of New Balance's total unit sales.

Though it certainly won't be able to stack up its portfolio against Nike in volume anytime soon, New Balance does covet some of the market share Reebok and Converse are losing. "Our feeling is that Nike is out there all on its own, and Reebok is spilling oil," said marketing vp Paul Heffernan. "Retailers are looking for something else. We could double our business just picking up a fraction of what some of the other players are losing."

A Steady Pace NB U.S. and overall global sales, in millions

1992 1993 1994 1995 1996(*)

Domestic \$95 \$105 \$130 \$151 \$183(*) Total \$221 \$258 \$316 \$380 \$450(*)

(*) estimated; Source: New Balance

Program: Product expansion Marketer: New Balance Athletic Shoe, Boston Agency: Messner, Vetere, Berger, McNamee, Schmetterer/Euro RSCG, New York Key players: New Balance: Jim Davis, chmn-coo; Jim Tompkins, evp-sls, mktg, r&d; Paul Heffernan, vp-mktg, Messner: Louise McNamee, pres

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