

RETAIL ADVENTURES

Uphill Battle

REI was founded to sell carabiners to people climbing mountains. Now it's trying to sell ice cream makers to suburbanites | By Stephane Fitch

THE TWO-STORY RECREATIONAL Equipment Inc. flagship store in Seattle is a mecca for hard-core outdoor enthusiasts. There are 30 types of sleeping bags and 16 different ice axes. Rock climbers can try 20 types of shoes on a 65-foot climbing wall. REI Chief Executive Sally Jewell darts past these and other items designed for hard-core athletes and grabs the store's latest bestseller: a hollow, hard-plastic soccer ball that, when filled with the right ingredients and booted around a campsite, churns out ice cream. "We blew through 6,500 of these in six months," crows Jewell.

The \$30 Camper's Dream Ice Cream Maker is scarcely the sort of thing Lloyd and Mary Anderson had in mind when they started REI with 21 of their pals as a consumer cooperative in 1938. These serious climbers were not after profits but simply after an economical way to get their hands on European mountain gear not easily found in the U.S.

The enterprise has grown into a retailer with 2.5 million active co-op "members" and a 50,000-item product line that looks a lot like what you would find at any shareholder-owned sporting goods purveyor. REI earned \$25 million after taxes on sales of \$887 million for the fiscal year ended last December.

Jewell, who became REI's chief executive in March, is eager to sell more goods to weekend athletes and other people who will never make it to Everest base camp. If expansion means peddling a few frills alongside the ice axes, so be it. Otherwise, for a

sporting novice, "walking into a place like this can be intimidating," says Jewell, an REI member only since 1999.

Jewell, 49, can ski double-black-diamond trails with her kids, but she spends more hours behind a desk than on the slopes. Her two-decade career in banking was capped with a four-year stint as president of Washington Mutual Bank's commercial lending group. During her time there, the bank's commercial loan portfolio grew from \$1 billion to \$20 billion.

Her plans for REI are just as ambitious. Jewell wants to boost sales 10% this year by opening additional stores and by stuffing REI's gear-choked catalogs into more mailboxes. If you aren't in the market for a carabiner (a metal loop to hitch ropes), you might be intrigued by the more whimsical fare, including glow-in-the-dark Frisbees, inflatable pink flamingos—for campers with bad taste or a sense of humor—and those ice cream balls.

REI, headquartered in Kent, Wash., enjoys a cozy relationship with its community of members, who like the company for its gear, its knowledge of their buying patterns and its outdoor-savvy salespeople. But Jewell also wants her 6,000 sales clerks to spot and coddle beginners who amble into its 77 stores. That may mean telling a snowshoe novice not to buy a \$220 pair from Mountain Safety Research but instead to try out a rental. Salespeople will help customers plan their first excursions, for free. This year REI will add affordable, beginner-friendly outings—such as daylong kayaking trips—to the weeklong suffer-fests REI



By the Numbers

Roping Them In

U.S. adventurers spend \$255 billion for trips and equipment a year. REI wants to put inflatable flamingos and Frisbees in their backpacks.

\$117 billion 2003 combined revenue for the 100 largest U.S. consumer co-ops.

6,500 The number of \$30 Camper's Dream Ice Cream Maker balls sold in the six months after they hit REI stores last year.

\$2,700 The cost, per person, for an REI Adventures-hosted trip to the 18,190-foot-high camp on Mt. Everest.

\$698 The price of a sleeping bag that will keep snoozers toasty at 40 degrees below zero.

42 The number of geese plucked to stuff one REI SubKilo sleeping bag.

Sources: REI; Frisbee Friends; National Cooperative Bank



Image Source: Industrial Revolution Inc.

Adventures sells to climbing and biking buffs for up to \$5,000.

Not that Jewell has forgotten the loyalists who represent 85% of REI's sales. She is pressuring apparel- and gearmakers to create more clothing and equipment for women, who make up half of REI's active members. REI now offers sleeping bags that are shorter, wider at the hips and more generously insulated at the bottom, as women's feet tend to get cold. It sells women's hydration packs with straps that accommodate women's breasts. It offers snowshoes that are narrow and long,

adjusted for a gal's weight and stride.

Instead of offering house-brand items on the cheap, Jewell wants REI-tagged apparel and equipment to be better and, often, more expensive than gear offered by bigger brands. Now REI fleeces boast premium features, including a waterproof zipper and a removable hood. They also sell for slightly more than a comparable North Face jacket. "When somebody sees the REI tag on clothing, they should feel as good about it as they do when they see it on the sign outside the store," she says.

Jewell joined the company as chief

operating officer in 2000, the year REI booked its first-ever loss—\$11 million on sales of \$698 million. That year REI was battered when forced to slash prices to compete with Internet-based outdoor retailers, including Fogdog.com and the now-defunct Gear.com. "Everybody was telling us retailing was dead," she recalls. "We couldn't just sit back and ignore it."

At the same time, the company was reeling from a self-inflicted wound in Japan. REI execs had figured the 85,000 REI members there were enough to support a store, so it cut the ribbon on a huge one 45 minutes outside Tokyo. It was a big failure; the outlet was closed in 2001. "Nobody could find the store," Jewell says.

REI shoppers will pay for variety and experience, two things it offers in stores, on the Internet and through REI-hosted trips. But these folks—particularly those less adventuresome than longtime REI members—aren't willing to use a compass and map to find its stores. REI's practice of opening outlets in out-of-the-way cities like New Rochelle, N.Y., where it

had to close a store, and Machida City, Japan won't work anymore, says Jewell. She plans an East Coast expansion and, to anchor the effort, Jewell is eyeing splashy sites like the one in central Boston where it recently opened a store.

Sure, there are critics. Jewell admits hearing gripes from REI purists who are horrified by the flamingos and ice cream balls. But she isn't bothered. "These are fun," she says, cradling an ice cream maker. "And for a family that's trying to get their kids away from the videogames and into nature, every little bit helps." **F**

KAREN MOSKOWITZ FOR FORBES