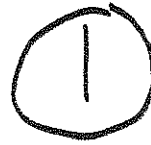


REEBOK, ROCKPORT, AND AVIA



Reebok's famous supple leather athletic shoes came from nowhere to take over the American aerobic shoe market in the 1980s and bring fashion to athletic shoes. With lots of cash from its sudden growth, Reebok began to diversify, acquiring other companies, including two other shoemakers, Rockport and Avia. Many analysts viewed the acquisitions as a defensive strategy to buy out the competition. Others saw them as an offensive, aggressive way to ensure continued growth.

Reebok makes 75 percent of the aerobic shoes in the United States as well as shoes for walking, running, tennis, fitness, and just hanging out. With their extra-soft leather, bright, distinctive colors, and stylish styles, Reeboks may be the article of clothing that best represents American life in the mid-1980s. Recognizing that it is riding a wave that cannot continue to build so quickly, the company has moved into new product lines to make sure it doesn't get hurt if the wave crashes. It expanded into children's shoes with "Weeboks" and began making a line of sports clothing. Many on Wall Street thought that it would continue to buy into the apparel industry.

Few expected Reebok to buy two fast-growing competitors in the shoe business. First it acquired Rockport, a maker of walking shoes. That kind of horizontal merger made sense to most people, because Rockport's products don't overlap significantly with Reebok's, and Rockport had been growing rapidly on its own. But the 1987 takeover of Avia struck many as a defensive move, designed to make sure that the Oregon-based shoe company didn't become Reebok's serious competitor. Reebok bought Avia--number two in the aerobic shoe market with 15 percent--just before Avia was to go public with its first stock offering.

Was this a move to avoid dangerous competition or an aggressive way to keep the company's profits expanding? Although Avia makes shoes for many of the same purposes as Reebok, their markets may not overlap. Avia is known for high-tech, high performance shoes, shoes for serious sportspeople who also buy from Nike, Reebok's principal competitor. Reebok may be able to maintain the sales of its good-looking, comfortable shoes, while Avia, with its fancy soles and high-tech design, may lure customers away from Nike. So it looks as though Reebok, rather than running from competition, may be merging with its competitors to snatch ever bigger pieces of market share in the shoe business.