



RetailX

Global Sports Sector

2023

In partnership with:



P F S

Why this matters

The global sports sector is a **\$77bn industry, attracting users at all levels of sporting prowess. The pandemic boosted its fortunes as, with everything shut, people took to sports and exercise to fill their days. Now, with the world going back to normal, sales are slowing – but the sector still has much to give.**

Here's what we found...

KEY FINDINGS

The sports goods sector accounts for just **1.1% of total global ecommerce**, but is worth in excess of **\$77bn** – even in a downturn.

The sector grew by almost a third in 2020, powered by lockdown, but has since dropped back to a more modest **4% growth rate in 2022**.

The slowdown has been caused by waning interest in exercise as the world returns to normal, as well as global economic headwinds stymieing consumer discretionary spending.

China leads the way in consumer spending on sports goods, accounting for **\$36bn in 2022**, way above that of the **US (\$22bn)**. Much of this Asian spend has been on connected fitness and through fitness apps.

Increasing state investment in sport has transformed the **Middle East** into a market ripe for exploitation by international and local brands.

Across the world, sports is very much a young man's game, with **Gen Z accounting for 33% of sales, Millennials 32% and Gen X 21%**; sales of sports goods is also split two to one male to female in much of the world.

70% of sports goods are typically **purchased instore**, with just 30% online. This is down to many items being a high-value and highly personal considered purchase.

Of those that do shop online, **mobile takes almost half in all markets** – 75% in Asia.

Apparel is the biggest segment of the sports goods sector by sales and, as a result, has borne the brunt of the market contraction in 2022, slumping from 17% growth in 2021 to just 2.2% in 2022.

5% of sports and leisure purchases were made on sustainable grounds (4.1% for men, 5% for women) in 2021, up considerably on the 3.8 and 4.6% seen in 2019, pre-pandemic.

This values the sustainable portion of the sports market in Europe alone at around **€600mn in 2021** and likely to hit **€800mn in 2023**.

Perhaps unsurprisingly, **Nike** is the most trafficked brand in Sports Goods, but a close second is fitness tracker company **Garmin** – indicative of how sports tech is gaining ground in the sector.

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Market overview

While global sports goods saw a boost during the pandemic, its growth has stagnated, kept afloat largely by fashion and athleisurewear

Accounting for just 1.1% of global ecommerce, sports goods globally generated around \$77.6bn in online sales in 2022, marking it out as a highly lucrative sector within retail (Figures 1 and 2).

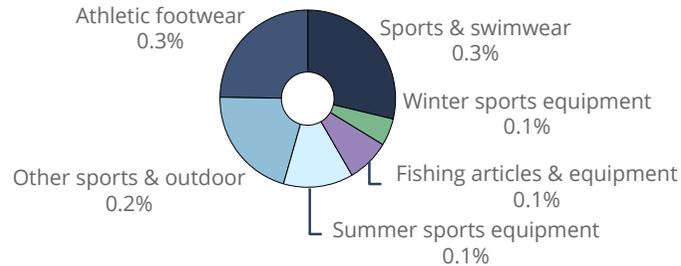
Yet the scope of what constitutes sportswear and sporting goods is in flux. Typically – and for the sake of this report – it covers primarily sports apparel, footwear and equipment, along with swimwear.

This can also be viewed in a more granular way to also encompass winter and summer sports goods, outdoor apparel, footwear and equipment, along with fishing paraphernalia. Each of these segments within the sports sector is a significant revenue generator and all have, as consumer habits have changed, become increasingly more prevalent in the ecommerce mix.

Alongside this is the growing prevalence of sports fashion wear and athleisurewear, both strong categories in their own right and both showing strong growth. These are driven more by fashion trends than by the uptake of sports and both are increasingly significant to sports brands as their mainstream sports markets become stressed.

Figure 1: Sports apparel and footwear lead sporting goods categories online

Sporting goods ecommerce % share worldwide, 2022

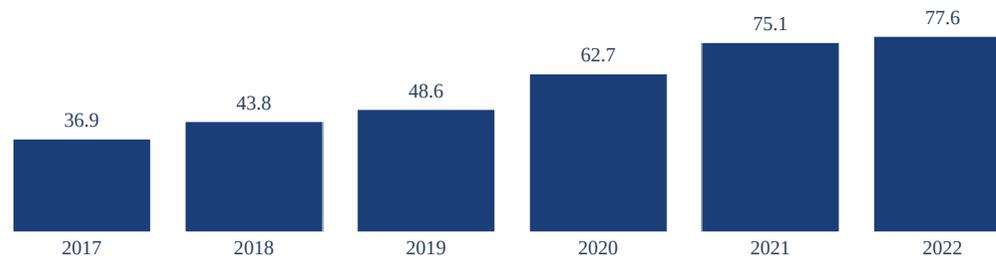


Source: Statista Digital Market Insights

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Figure 2: Sporting goods ecommerce revenue reached \$77.6 bn by 2022

Sporting goods ecommerce revenue worldwide (\$bn), 2017-2022



Source: Statista Digital Market Insights

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SLOWDOWN IN SPORTS

While the sports sector saw a temporary slowdown at the start of the pandemic due to a cessation of communal and team sports in lockdown, it soon bounced back (Figure 3). Growth was strong in 2020, at 31.7%, as consumers invested in athleisurewear to combine home working and solo exercise. A re-emergence of team sports in 2021 helped maintain some of this pronounced growth, at a rate of 15.3%.

However, as sports use has settled back to its pre-pandemic level in most markets, growth in the sports sector globally has stagnated, to just 4.1% in 2022. This is way below its pre-pandemic level of 18% and has been driven down by waning interest in sporting activity coinciding with a cost-of-living crisis dampening consumer spending in all retail sectors.

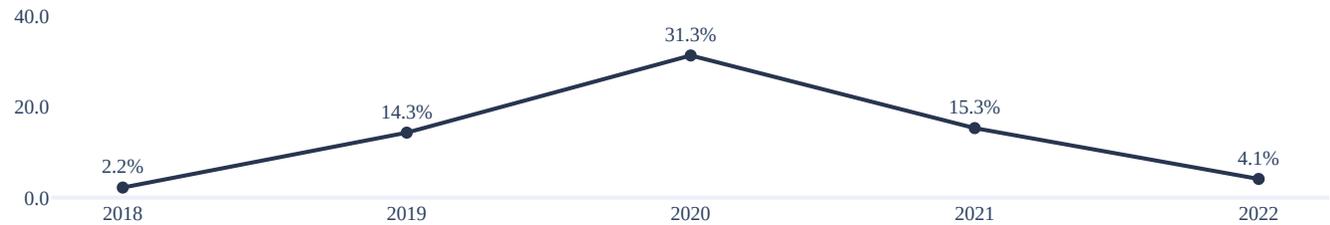
Many consumers have returned to a more 'normal' life – commuting to work more often and returning to other everyday tasks. This has seen many of those consumers who embraced exercise and sport early on in the pandemic hanging up their yoga pants and running shoes before returning to breaking a sweat mowing the lawn.

Combined with the rising cost of living and pinch-points around discretionary spending, the readjustment of the sports goods market is likely to continue for some time to come.

This stagnation has been seen across both on- and offline sales (Figure 4). While the share of online sales has grown dramatically during and post-pandemic,

Figure 3: The sporting goods sector kept slowing down growth in 2022

Sporting goods ecommerce revenue annual growth, 2018-2022

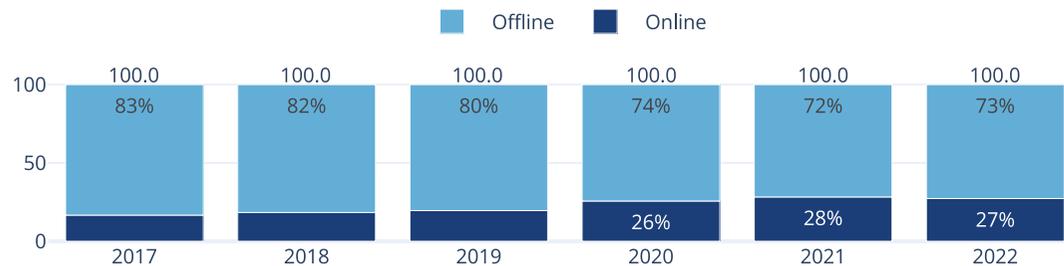


Source: Statista Digital Market Insights

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Figure 4: Strength of online sales of sporting goods stagnates in 2022

Sporting goods ecommerce online revenue % share worldwide, 2017-2022



Source: Statista Digital Market Insights

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that growth is slowing and does nothing to offset falling sales in all categories.

Interestingly, the rise in sales of sports fashion targeted at younger shoppers is less prone to inflationary pressures. Many sports brands see Gen X, Y and Z as key fashion sports consumers since they are more likely to buy what they want to be 'on trend' regardless of the price. They are often also using their parents' money, mitigating the impact of rising prices. Shifting to sell more sports fashion – as well as embracing athleisurewear (see panel) – is therefore one tactic that sports goods brands and retailers alike can channel.

For sports brands, the challenge will be to keep brand interest alive, investing in marketing as much as new products and services. Nike's kids shoes rental scheme is one such service that plays to consumers' wallets, as well as giving Nike something to shout about on social media.

For sports goods retailers, shedding excess inventory in 2023 is the key challenge, along with managing purchase costs in the future. This is a delicate balancing act between supply and demand, the latter of which might pick up at any point across the year, or could collapse still further.

For sports goods retailers, having offerings that make them appealing offers new ways to both manage costs and attract new customers. Examples of this include Decathlon's equipment rental scheme and Cotswold Outdoors' repair service.

ATHLEISUREWEAR AND FASHION SPORTS SAVE THE SECTOR

The rise of 'athleisurewear' during the pandemic has been one of the most marked changes to reshape both the sports and fashion sectors in recent years. A combination of sportswear and leisurewear, athleisurewear was already a key trend pre-pandemic but the blurring of the work-home life balance saw its sales increase during 2020 and 2021.

Similarly, the propensity for sportswear to be seen as fashion wear has also played a role in driving sales of the sports segments. Indeed, this sub-sub-segment has been a key driver of the sports sector and, arguably, has been what has kept it growing, however slowly. It has also increased the competition between key sportswear brands and fashion brands and retailers, with each seeing the other as a threat to their already stagnating growth.

There are several key drivers of athleisurewear and sports fashion's popularity. Firstly, the blurring of the work-home life continues to make it an acceptable form of dress for informal work from home activities. This has seen it move from being purely the preserve of the sportswear brands to being something targeted by all fashion brands and retailers.

Secondly, consumers continue to put a healthy lifestyle ahead of other pursuits, setting exercise up as part of their lives and as something that is worked into their daily routine. It is now

acceptable to arrive for a Zoom meeting in sportswear fresh from a workout or a bike ride. The sportswear industry has been quick to combine this and the increasingly fashion-forwardness of its clothes to create garments that satisfy both needs.

The rise of digital fitness apps and services over the pandemic has driven more consumers to embrace sportswear in their everyday life as they factor home digital workouts into their working days.

Other factors have shifted the fashion emphasis towards athleisurewear, with increasing direct-to-consumer online sales from sports brands taking off in 2020 and continuing to rise, a growing use by the same of social media and social media influencers and a shift to marketing wares more digitally. Even the return of live sports events has prompted increased sales of both sportswear and athleisurewear.

The current leaders in the athleisurewear market are Nike and Adidas, with the former dominating the space. Relatively new entrant Under Armour has grown a strong presence in the market, as has Lululemon, both of which occupy significant niches in the pantheon of sports brand fashion sales. A crop of ethical athleisurewear brands has also started to emerge, with names such as Organic Basics, Tripulse, Adrenna and Sundried starting to attract growing consumer interest in their low-carbon and organic ranges of clothing.

INFLATIONARY PRESSURES

The reason for this stalling growth in sports can be firmly placed at the door of high inflation leading to falling consumer confidence. Inflation has grown significantly across the world, fuelled by the impact of rising energy costs as a direct result of the Russia-Ukraine war.

This rise has been most pronounced in Europe (Figure 5), largely due to many of its economies being reliant on Russian oil and gas. Asia, too, has seen surges in inflation, with levels hitting ten-year highs in 2022.

This has led to an unprecedented fall in consumer confidence, which has impacted spending across all retail sectors. The UK and China have seen the largest falls here, both dropping way below the global average (Figure 6).

Consumer spending confidence has dropped significantly across all regions. Coupled with a return to a more 'normal' level of time spent by consumers on sports, the sports sector has seen significant falls in sales.

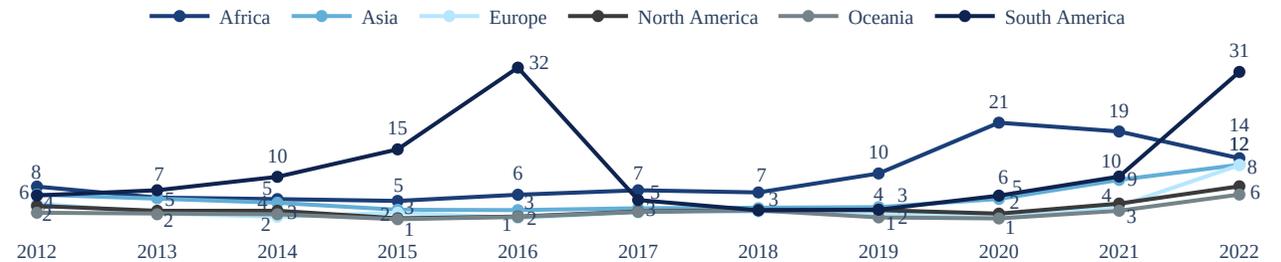
It isn't, though, the worst hit sector: household goods, homewares and DIY have all been harder hit, as has the wider fashion apparel market (Figure 7). This has largely been down to a continued interest in sports fashion and athleisurewear propping up the wider sports goods market, partly at the expense of the mainstream and fast fashion sectors^[1].

SUPPLY CHAIN ISSUES

The global sports goods market has long been an internationally supplied business, with many sports

Figure 5: Inflation soars in Asia and Europe with levels not seen in more than 10 years

Annual percent change in CPI, by region, 2012-2022



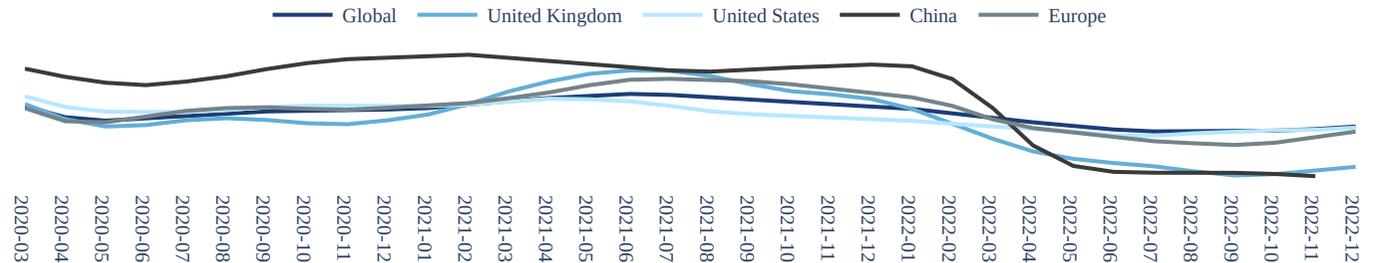
CPI=Consumer Price Index

Source: RetailX drawing on data from various national institutes of statistics

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Figure 6: United Kingdom and China among the most affected by the loss of consumer confidence in 2022

Consumer confidence index (CCI), by region, 2020-2022



Amplitude adjusted, long-term average=100

Source: OECD

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brands turning to manufacturers in Asia and Africa for the manufacture of their internationally sold goods.

The global rise in inflation, growing energy prices, raised awareness of sustainability and rising costs of materials have all conspired to bring this model into doubt. Supply chains – of raw materials, as well as the shipping of the finished goods from afar – have felt growing pressure since the pandemic, but these macro-economic and geopolitical issues have exacerbated them post-pandemic. This sees the global sports goods industry increasingly looking to change production and supply methods to a more near-shore model.

This shift is slow and is dictated by the products in question, yet it is a distinct trend brewing in the sector. Data shows that 75% of sports goods companies are considering near-shoring for at least some of their products^[2].

Non-time sensitive goods that are produced at volume are likely to continue to be made globally, while those that are market specific, time-sensitive (typically in a fashion cycle sense) and low volume could well be produced more locally. These items tend to be higher value at a higher price point, so can carry the additional costs of being produced in more expensive manufacturing markets closer to home. Some of these additional costs can indeed be offset as a ‘sustainability premium’ since the goods are no longer shipped half way round the world.

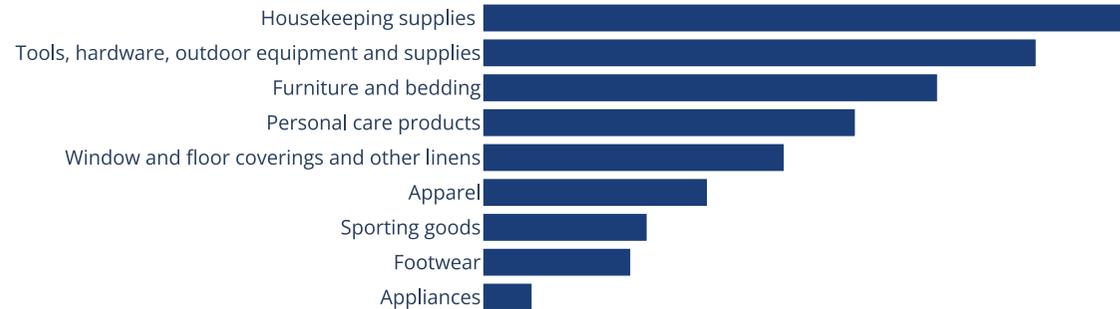
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Figure 7: Sporting goods was not the sector most affected by inflation but shopper wallets take a big hit all the same

Year-over-year inflation rate of selected non-food goods in the United States, by sector, October 2022



Source: Bureau of Labor Statistics

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Market segments

While the sports market as a whole has seen flat growth, apparel, swimwear, fishing and outdoor see strong sales

APPAREL

Apparel is the biggest segment of the sports goods sector by sales and, as a result, has borne the brunt of the market contraction in 2022, slumping from 17% in 2021 to just 2.2% in 2022 (Figure 8).

What growth there is has been driven by the rise in sports fashion, as discussed in the previous chapter. These growing sales are also predominantly occurring in China and the US across both 2021 and 2022 (Figure 9).

The boom in Chinese sales is showing signs of slowing, possibly a result of the end of protracted lockdowns seeing a switch back to consumers buying workwear rather than sports and athleisurewear as they return to more normal working practices.

In the US, the growth of sports fashion as a trend has continued to drive up sales in the sector for apparel. There is also continuing interest among Millennials, Gen X, Y and Z in health and fitness. Again, a result of the pandemic, a greater focus on sport, exercise and health has continued in certain social groups. A recent study of US consumers finds that the number of people who identify as health conscious has doubled in the past five years, with

Figure 8: Nearly no growth for the athletic footwear sector in 2022

Athletic footwear sub-sector ecommerce revenue annual growth, 2018-2022

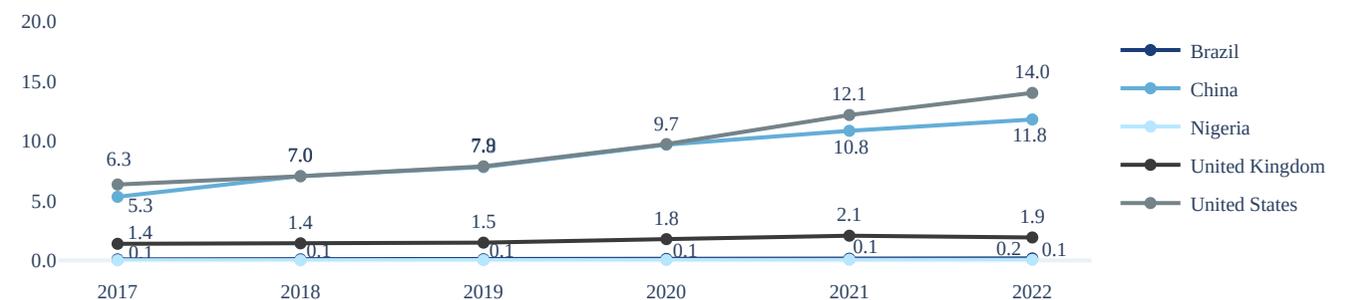


Source: Statista Digital Market Insights

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Figure 9: United States and China are the clear winners in the sporting apparel ecommerce market

Sporting apparel ecommerce revenue, by country (in bn USD), 2017-2022



Sporting apparel includes sportswear, swimwear and athletic footwear

Source: Statista Digital Market Insights

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93% of them saying they increasingly feel compelled to eat healthily. This figure is 51% among Millennials and 45% of Gen X^[1].

This translates into a growing interest in sport and fitness uptake. Between 2022 and 2028, the US is expecting to see the fitness industry grow by 172%, with gym memberships rising to close to 45%. By 2030, the US fitness industry will have 230mn members, while online and digital fitness is expected to grow by a third^[2].

This increasing number of exercising consumers is driving growth of sports apparel, albeit slowly, with gym members and home exercisers alike buying appropriate garments for workouts.

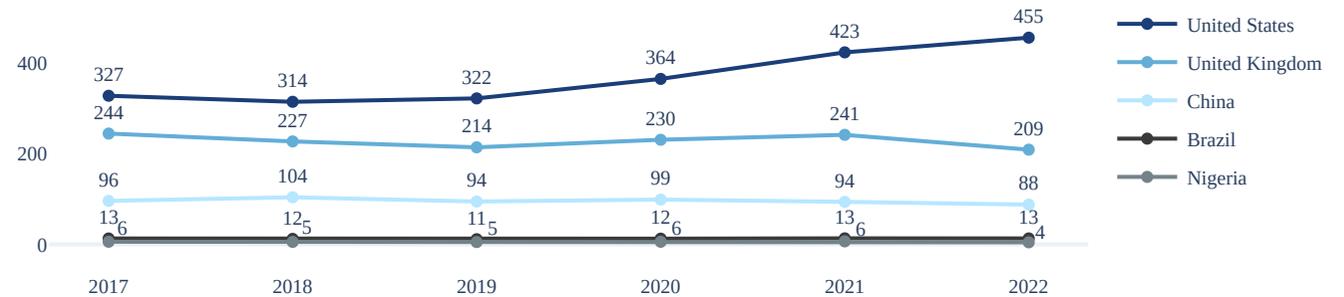
The US leads the way in growth of online sales of sports apparel, generating \$455 per consumer each year, up from \$421 in 2021. This compares to flat markets in China and Brazil, at \$88 and \$18 per person, and is in marked contrast to a significant decline in sales of online sports apparel in the UK (Figure 10).

Sports is still a slow-burn sector in emerging markets, but there is potential for more growth in the industry from these regions. An increasingly affluent middle class with more disposable income is likely to drive increased uptake of both sports fashion and sports apparel in a range of market across Asia, India and South America.

The rise in the number of women taking part in sports and fitness is also set to be a significant growth factor for the sector in established and emerging markets.

Figure 10: United States keeps growing in sporting apparel online revenue per user

Sporting apparel ecommerce average revenue per user, by country (in USD), 2017-2022



Sporting apparel includes sportswear, swimwear and athletic footwear

Source: Statista Digital Market Insights

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Growing this segment of the sports apparel market relies on brands and retailers looking closely at how women buy. Increased availability of sports brands in supermarkets, as well as online in stores other than own-brand sites, is key to getting in front of the right people at the right time.

The use of social media influencers is something that has an increasing impact on women shoppers and it's likely that sports brands and retailers targeting this section of the market will look to use these more to engage women.

Indeed, influencers and celebrity tie-ups are going to be key across the sector in shifting sports apparel, with the line between fashion and sports blurring and an increasingly online shopper base looking for inspiration as much as bargain.

SUMMER AND WINTER SPORTS

Anyone who follows the Summer and Winter Olympics will know that there are distinct sports that fall into each category.

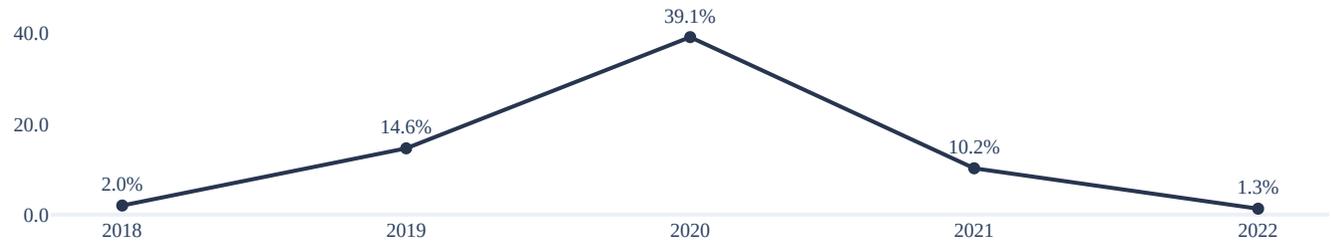
What constitutes each covers a lengthy list but key Summer sports are: archery, athletics, badminton, basketball, boxing, canoeing, cricket, gymnastics, judo, shooting, softball and trampolining. These are all sports that are also popular among the general populace and their fortunes across the past five years recognise this popularity (Figure 11).

These sports saw exceptional growth of 39% in 2020 as the lockdown was lifted in the summer, then again peaked at 10% growth in 2021 when winter 2020-21 restrictions were again lifted. Flat growth in 2022 was then a result of consumers seeing their lives return to 'normal' and work taking over leisure time once again. Yet these sports continue to remain popular globally, with many of them key to driving sales of sports goods across the world. The regular appearance of these sports as local and international tournaments continues to drive ongoing growth.

Winter sports, as defined by the Olympics, include skiing, skating, ice hockey and snowboarding. While popular, all are seasonal and dependent on weather and, hence, location. Regionally, winter sports are often confined to Canada, Russia, the US, Scandinavia and northern Europe.

However, these sports also continue to see strong growth. 2020 saw a peak of 44% growth, 2021 had 21% growth and only in 2022 did a slowdown happen, down to 2.2% (Figure 12).

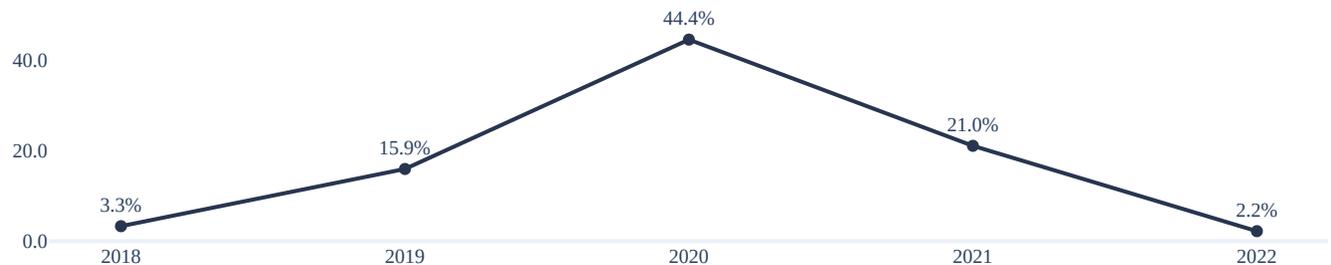
Figure 11: Very little growth for the summer Sports Equipment sub-sector in 2022



Source: Statista Digital Market Insights

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Figure 12: The Winter Sports Equipment sub-sector moderates its growth in 2022



Source: Statista Digital Market Insights

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This growth has two drivers. Firstly, many of the country markets where these sports are popular are well developed economies with high standards of living, with these equipment-intensive sports affordable only to those of a higher income.

Secondly, this high cost of entry – especially around equipment costs – means that average spend per user is also high, so even with a lower number of users, sales growth can be generated relatively easily of moderate sales. However, the winter sports market continues to be one to watch.

SWIMWEAR

The swimwear subsector stands alone as one that straddles all age groups and fitness types, since it is enjoyed both as sport and leisure activity. Swimming is one of the most popular fitness activities worldwide, with 28.4mn Americans alone going swimming at least once in 2021^[3], while 4.7mn Britons went swimming twice or more a month in the same year^[4].

Many consumers buy swimwear and swimming related goods for holidays, days out at the seaside and other purely leisure-based activities, a segment that has re-emerged post-pandemic with travel restrictions lifted and consumers returning to beach and seafront holidays worldwide. This leads to both domestic and local sales in all markets. Together, this sees the swimwear sector generating significant revenues for retailers on and offline, with growth of 10.2% well above the wider sportswear sector in 2022 (Figure 13).

The swimwear market globally is slightly skewed to women’s swimwear, which accounts for 52.4% of the

Figure 13: Sports and swimwear sub-sector keeps increasing in 2022 at a consistent rate



Source: Statista Digital Market Insights

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market and is set to grow to 57.6% by 2028. This rise is driven by growing demand for ‘smart’ swimwear that incorporates UV-blocking fabrics^[5] along with menstruation-proof suits and tie ups with fashion and lifestyle brands^[6].

Geographically, the market is dominated by sales in the US, a market split evenly between both leisure/holiday swimming and health and fitness swimming. The second-largest is China, where leisure swimming has returned to being a popular pastime post-pandemic, especially in summer. The UK is, by spend per person, the third-largest swimwear market in the world.

SPORT AND LEISURE FISHING

Fishing is a surprisingly popular sport and leisure activity worldwide and, for the sake of this report, we focus on products such as fishing rods, fish hooks, lines, baits, lures and sinkers that are used for recreational fishing and competitions, rather than anything akin to commercial fishing that involves trapping, trawling and netting fish in bulk.

A study in 2014 found that, on average, around 10% of the global population fished for recreation across the industrialised world, amounting to an estimated 118mn people in North America, Europe and Oceania^[7]. More recently, it was found that some 55mn Americans fished for fun in 2020^[8].

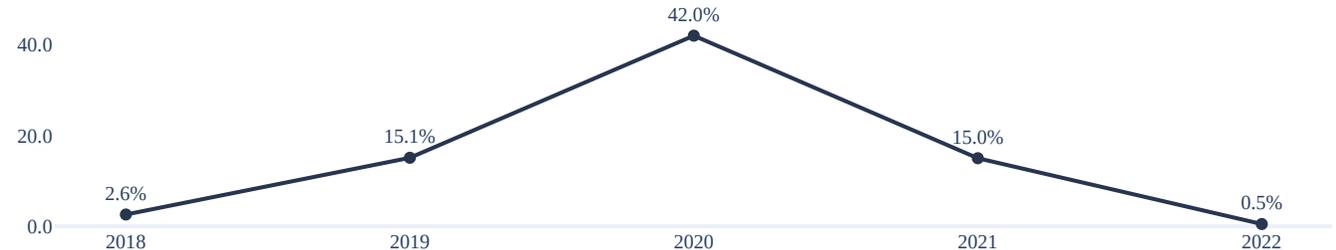
Sports fishing saw a spike in growth in 2020 as lockdown restrictions eased enough for outdoor, solo sports became more accessible. This 42% growth has been more tempered since, culminating in flat growth in 2022 as uptake of the sport dropped back to more traditional levels (Figure 14).

Growth, however, is likely to resume across 2023 and beyond because, driven by the cost-of-living crisis, some are looking at more cost-effective ways to source food. The growth in online sales of fishing equipment in conjunction with the rise in digital tech to track fish is also starting to drive renewed interest in the sport.

The growing interest in outdoor sports and activities as a part of a protracted 'back to nature' response to the pandemic is also likely to create further uplift in fishing sales.

Figure 14: No growth for the fishing articles and equipment sector in 2022 after being the sub-sector with the highest growth during covid

Fishing articles and equipment sub-sector ecommerce revenue annual growth, 2018-2022



Source: Statista Digital Market Insights

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HUNTING AND SHOOTING

The hunting and shooting side of sports is a strong market, although confined to select geographical areas with the necessary firearm and wildlife laws.

The global hunting and shooting ammunition market was worth around \$1.18bn in 2019 and is expected to rise to in excess of \$1.73bn by 2027. This growth is driven, to some extent, by increased interest in hunting, but more it is in leisure shooting where the gains are being made. Shooting range use and shooting games are driving the market, with the fastest growth seen in China and Asia.

Hunting in the US, which has always been popular, saw a marked increase during the pandemic, with

a number of hunters using the sport not just for recreation but also for food. With meat processors closed due to staff sickness because of Covid-19, a looming meat shortage saw some people turn their hobby into something useful.

There is some conjecture that, with rising food prices due to rampant inflation, this could see a resurgence in 2023 and beyond, yet there is currently no data to back this up.

OUTDOOR WEAR AND CYCLING

Outdoor pursuits have continued to grow in popularity post-pandemic, with consumers embracing the great outdoors as place to exercise and to relax.

Months of lockdown – years in the case of China – have seen a spring back towards enjoying outdoor activities such as hiking, camping, cycling and even dog walking. As a result, the market for outdoor sports goods has seen very strong growth in 2020 and 2021 and continued to see healthy 4% growth during 2022 (Figure 15).

As with sports-inspired apparel, outdoor wear is increasingly seen as both a lifestyle choice and as fashion clothing, with brands such as The North Face and Jack Wolfskin becoming as much about fashion as they are about outdoor pursuits.

While for many, these are serious pursuits, for a growing number of consumers, they are hobbies and pastimes. The surge in dog ownership across Europe during lockdowns has seen growth in outdoor wear sales, although with a market that is becoming saturated and which has passed its peak, some of this growth in 2020 and 2021 is likely to fall away as the decade progresses.

Cycling, too, has seen a surge in demand across 2019, 2020 and 2021. The European bicycle market grew by an astonishing 40% in 2020, to hit €18bn^[9]. Off the back of this, the European cycling wear market is set to rise by 6% between 2020 and 2026^[10]. Part of this has been inspired by the lockdown but there has been a growing mood in Europe towards cycling for

Figure 15: Other sports and outdoor sub-sector keeps a slow growth rate in 2022

Other sports and outdoor sub-sector ecommerce revenue annual growth, 2018-2022



Source: Statista Digital Market Insights

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everyday transport, particularly with rising fuel prices and growing interest in living a sustainable lifestyle.

Future growth of these outdoor and cycling segments is very much up in the air, however. While there is consistent cohort of 'performance users' of apparel and equipment, much of the growth seen in the outdoor wear market has come from the lockdown.

Similarly, for many of those who have purchased outdoor wear – be it for walking, hiking, dog walking or in taking up new adventurous hobbies such as mountaineering, canoeing and even cycling – it has been a transient pastime to fill the gaps in social living caused by the pandemic. As these constrictions fall away, so too may much of this growth in these niche parts of the sporting goods sector.

SPORTS EQUIPMENT

The equipment needed to play sports – balls, racquets, bats, gym equipment, skis, goals, hoops, fishing rods and even skateboards – makes up a sizeable chunk of the sports goods market.

Figures are hard to come by for equipment as a whole, yet this segment of the sector has followed a similar trajectory to that of apparel, footwear and swimwear, in that it has seen a lockdown-induced dip in 2020, then a surge in 2021 and is expected to level off from 2022 onwards. A look at a breakdown by some of the items demonstrates this.

Tennis offers a good indicator. Europe has 52% of the world's tennis clubs, so its racquet market is expected to grow from €103.6mn in 2021 to €114.1mn by 2028 – a CAGR of 1.4%. This is being driven by increasing interest in personal health, as well as by technological innovations in racquet manufacture that offer better control and more accuracy^[11].

The market for footballs – hand stitched, machine stitched and thermally bonded, training ball, match ball and others – also demonstrates how sports equipment has performed. Europe and the US dominate this market and while sales plummeted in 2020, they have bounced back in 2021 and are set for impressive growth.

The global football market size was valued at \$1.9bn in 2019 and is estimated to reach \$3.7bn by 2027. The global market is forecast to grow at a CAGR of 18.3% from 2021 to 2027^[12].

Conversely, the European home fitness equipment market has boomed during the lockdown and, while set to continue to grow, has tailed off more rapidly than other sports equipment types.

The home fitness and gym equipment market was valued at €2bn in 2021 and is set to grow by 3.1% annually between 2021 and 2031^[13]. This will be driven by lifestyle changes, as well as the rise of health and fitness apps. Technological innovations are also set to play a role, creating new and exciting ways to exercise at home, bringing together fitness equipment with virtual and augmented reality.

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COUNTERFEIT SPORTING EQUIPMENT

The market for sports equipment is so large and lucrative that it has become a heaven for counterfeiting, with as much as €500mn lost each year in Europe alone.

A study by the Office for Harmonization in the Internal Market (OHIM), the EU's largest intellectual property agency, showed that sales lost due to counterfeiting of sports equipment – not including sportswear – correspond to 6.5% of all sales in this sector across the EU28.

Every year, an additional €360mn is lost across the EU due to the indirect effects of counterfeiting of sports equipment – as manufacturers buy fewer goods and services from suppliers, causing knock-on effects in other areas. The study also showed that an estimated 2,800 jobs are absent in the sector throughout the EU, as manufacturers shoulder the cost of counterfeiting.

In addition, up to €150mn is lost annually in government revenue throughout the EU due to sports goods counterfeiting. This includes tax, social contributions and VAT that are not paid by producers and distributors of fakes.

Regional Overview

With Asia leading the way, the sports goods sector is seeing a resurgence in growth after an post-pandemic slowdown

CHINA

Regionally, the sports goods sector is currently driven from a revenue perspective by sales in Asia. These sales lie way above any other region, hitting \$39.6bn in 2022, compared to North America, which is worth around half that, at \$21.8bn (Figure 16).

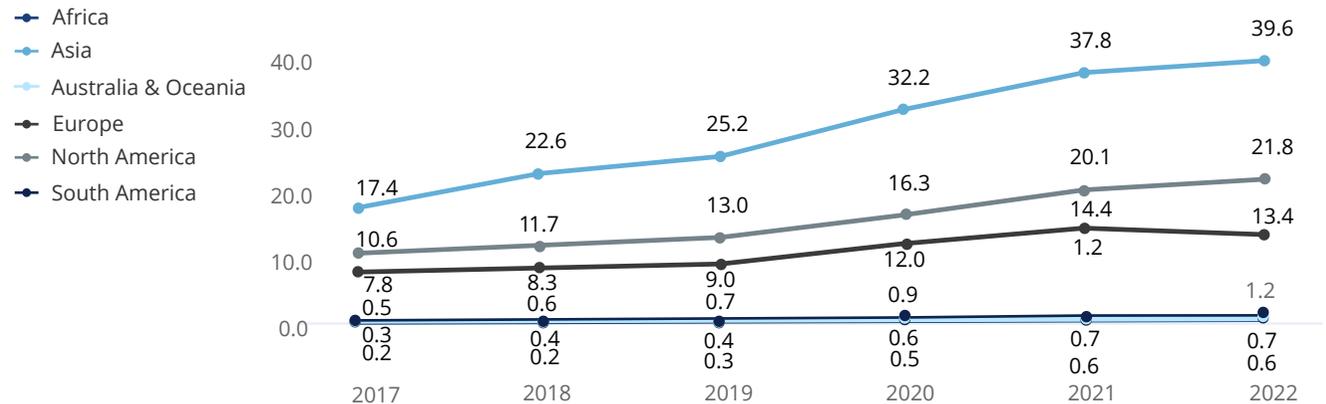
This Asian boom has been driven by a rise in personal fitness and health across the region, particularly in China, during and post-pandemic. The impact of the pandemic had a deep psychological impact on Chinese consumers, seeing many realign their views on personal health and wellness, as well as their impact on the environment.

As a consequence, a huge surge in sales of sports goods was seen in the region in 2020 and 2021, which has led to massive revenues.

There has also been an increase in the use of fitness apps for indoor workouts in the region, with some 67mn Chinese consumers using such apps as of April 2022^[1]. While similar trends have emerged in other regions – notably the US – they are dwarfed by those seen in China.

Figure 16: Asia significantly ahead in revenue while Europe declines slightly

Sporting goods ecommerce revenue worldwide (\$bn), by region, 2017-2022

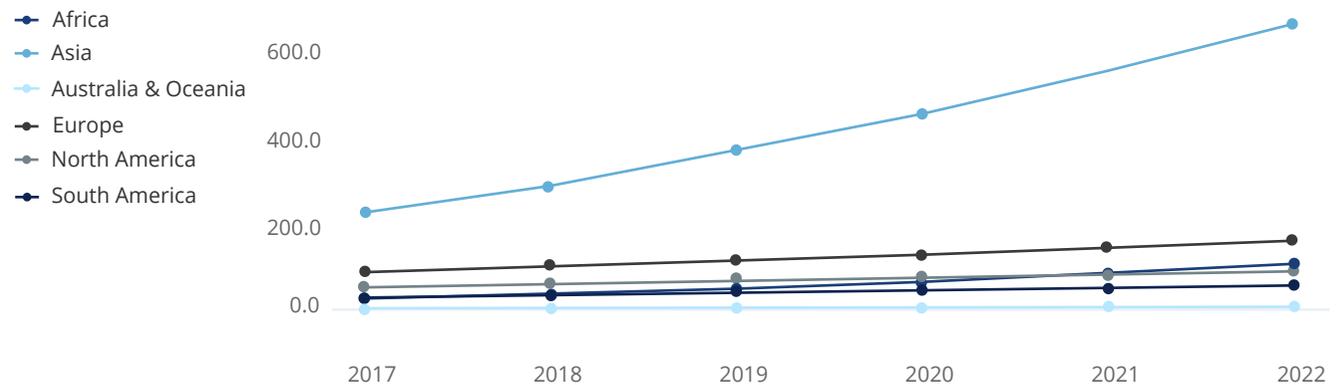


Source: Statista Consumer Market Insights

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Figure 17: There are more online sporting goods buyers in Asia than in all of the other global regions together

Sporting goods online users (in millions), by region, 2017-2022



Source: Statista Consumer Market Insights

© RetailX 2023

Many of these shoppers, being at the younger end of the market, have adopted ecommerce as their primary channel for shopping sports goods, leading to massive growth in the online sports market in the region (Figure 17). Here, Asian online shopper numbers outstrip those of any other region by at least three to one. It is the only region that has seen accelerated growth in online sports goods sales.

This is, as said, driven by a much younger audience coming to sports during and post-pandemic and continuing both the fitness and shopping habits that they adopted during that time.

Segment-wise, the Asian market is fairly evenly spread across all parts of the sports goods market, with apparel and outdoor dominant at 22 and 24%, respectively. Yet even footwear and fishing make a strong showing (Figure 19).

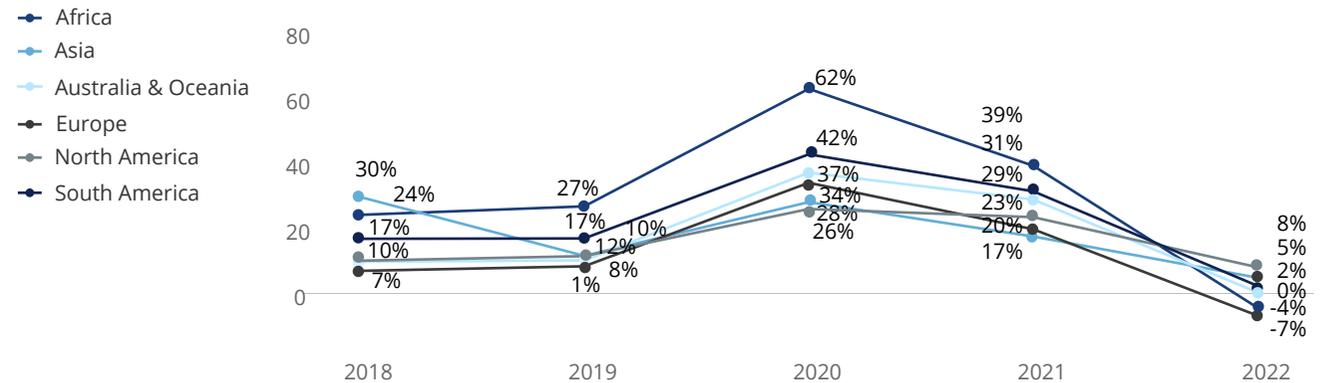
NORTH AMERICA

While Asia has seen strong online sales growth and generates huge revenues, sales growth is now happening more rapidly in the North American market (Figure 18). This is again a direct result of many consumer looking at adopting a new, healthy lifestyle after the rigours of the pandemic.

This is particularly prevalent in younger consumers who came of age across the lockdown and who have continued their embrace of fitness – solo and group – into the post-pandemic market. As this cohort has matured, they are upping their spend on sports and fitness goods, driving growth in the market.

Figure 18: North America is growing faster while Europe and Africa decline versus the past year

Sporting goods ecommerce revenue % change (\$bn), by region, 2018-2022

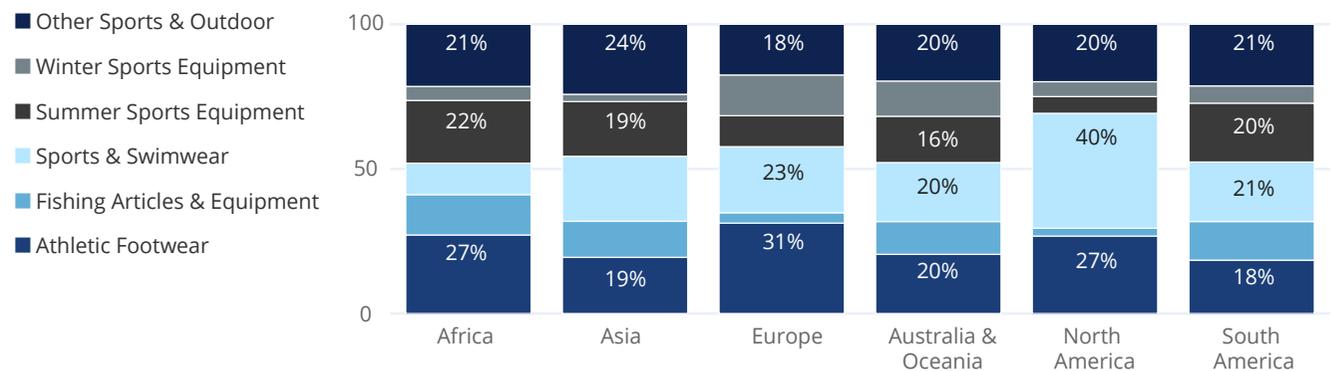


Source: Statista Consumer Market Insights

© RetailX 2023

Figure 19: In North America sportswear and athletic footwear constitute two thirds of the revenue for sporting goods ecommerce

Sporting goods ecommerce % share, by region, 2022



Source: Statista Consumer Market Insights

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Ecommerce has had a strong foothold in the US market for many years and while sports goods ecommerce is growing more rapidly in China, the US market is dominated by sports and swimming apparel, along with athletic footwear. Outdoorwear is also becoming a significant segment in the region, taking some 20% of the market (Figure 19).

EUROPE

Following the expected spike in sales in 2020, Europe has seen only sluggish performance across 2021 and even slower growth in 2022 (Figures 16 and 18). Much of this more recent slowdown has been a correction following the surge in sales during the pandemic.

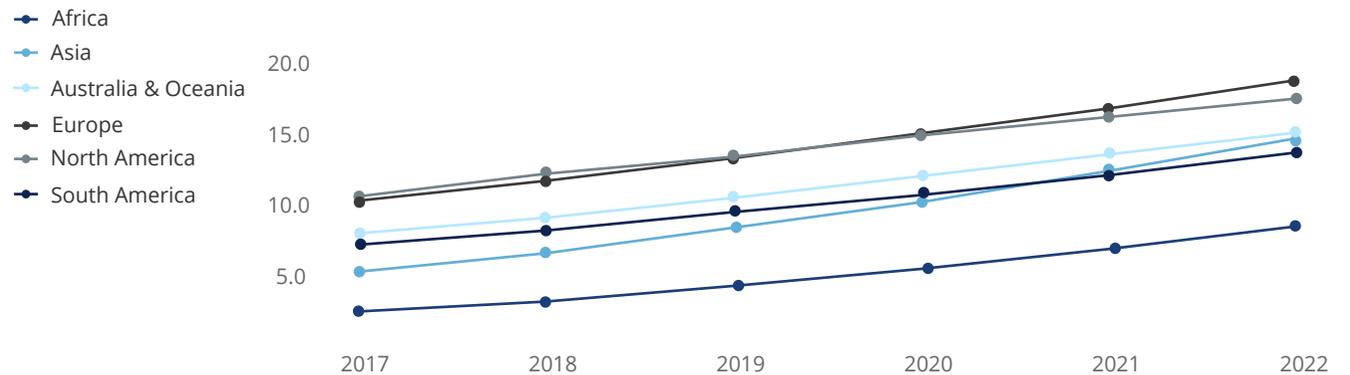
This has been compounded by 2022 also seeing increasing inflation and other pressures on consumer spending in Europe due to rising energy prices as a result of the Russian invasion of Ukraine. Discretionary spending has fallen in all retail sectors bar grocery, with shoppers becoming much more cautious about their spending.

While health and fitness remain the concern of a growing number of consumers in the region, they are tending to delay spending on sports goods and equipment until the financial picture is more clear.

The sector in Europe is forecast to return to growth in 2024 and beyond, powered by younger consumers sticking to the more healthy lifestyle adopted during lockdown. Yet there is also a growing obesity epidemic in Europe, with a modern, hectic and pressured lifestyle – itself exacerbated by the rising cost of living – driving many to poor eating and relaxation habits.

Figure 20: Less than 10% of the potential buyers currently purchase sports goods online in Africa

Sporting goods online market saturation (%), by region, 2017-2022



Source: Statista Consumer Market Insights

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A correction in this is likely to come through, with millennials and other sectors of the consumer base opting to take more interest in their diet and exercise. This is set to spark strong sector growth in Europe right through to the end of the decade^[2].

AFRICA

Africa is the smallest region for sports goods globally and has seen the lowest growth across 2017 to 2022 (Figure 16). Growth was, however, very strong in the pandemic, as more people switched to personal fitness and, as with every other region, sportswear and athleisurewear was embraced as a practical fashion choice (Figure 18).

Online sales in Africa remain low. Only a very small proportion of African consumers use the web for

sports goods shopping, which is the result of very low internet uptake across the continent. Most consumers in Africa don't have a fixed PC computer, relying instead on mobile phones. In the more developed South Africa, internet usage sits at 66% while in central Africa, it is as low as 24%^[3].

Even mobile phone adoption sits at just 42% across the region in 2021, but it had doubled since 2020 and growth here continues to be rapid^[4].

Many consumers in the region are unbanked – with just 57% of Africans having a bank account, including mobile money accounts such as M-Pesa – and so online payments are another drag to progress^[5].

For these reasons, fewer than 10% of African consumers buy sports goods online currently (Figure 20). However, growth in ecommerce user numbers for sports goods has seen consistent growth between 2017 and 2022 in Africa, growing at a pace similar to all other markets.

This growth has the potential to see Africa grow into a lucrative market for sports goods retailers and brands. User adoption of sports in Africa is set to reach around 14.5% in 2027, up significantly from 9.6% in 2023. However, average revenue per user in the market here sits at just \$5.26^[6].

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SPORTS IN THE MIDDLE EAST

The Middle East, while often lumped in with Africa, is a unique and interesting market for sports goods. With global averages showing growth in sporting goods sitting at around 3.3%, in the Middle East, it is tipped to hit nearly 10%^[7].

This trend-bucking growth is being driven by the regional governments across the Middle East actively seeking to use sports as a means to diversify their economies. For example, The Gulf Development Council (GDC), which includes Saudi Arabia and the United Arab Emirates (UAE), has spent upwards of \$65bn on sports development across the region.

While much of this has gone on large infrastructure projects, including a range of stadia and hotels for the 2022 Football World Cup, these governments are also pushing the uptake of sports among the general populace to encourage the economy as well as a platform for social change.

Off the back of a growing interest in healthy lifestyles post-Covid, this push is set to see not only investment in big ticket sports events grow hugely, but also to make the Middle East a potential hotspot for sports goods sales.

Young people taking up sport are increasingly championing the political and social stance of the sports brands that they love, driving growing interest in inclusion and diversity. Here, sports brands can be a very strong force for good, both with the message that accompanies their goods and the views expressed by their brand ambassador athletes.

The Saudi Sports For All Federation is engaged in a nationwide campaign to promote physical activity and help create more community sports. This, it is hoped, will not only encourage more people to live a healthier, more active life, but will also help germinate local sports leagues, which may at some point compete on the world stage.

While human rights groups accuse much of this as 'sportswashing' – using the spectacle of sports and health as a sop to making no real changes to human rights abuses – the general populace is slowly starting to embrace this shift to sports regardless.

The region also sees growing internet uptake of around 50%^[8], with 4G mobile internet and smartphones connecting around 270mn people. This makes it a mobile phenomenon, leading to this market also being a growing ecommerce market – opening up the market to wider sales from those Western brands keen to tap into it.

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Consumer habits

Sports sales are dominated by young men, who shop for their sports goods in a surprisingly analogue way

WHO BUYS SPORTS GOODS?

Statistically, sports is clearly a young man’s game. Gen Z, aged 18 to 24, account for 33% of sales, along with Millennials (25 to 40) accounting for another third (Figure 21). While Gen X (21%) makes a showing, it is clearly a market dominated by youth.

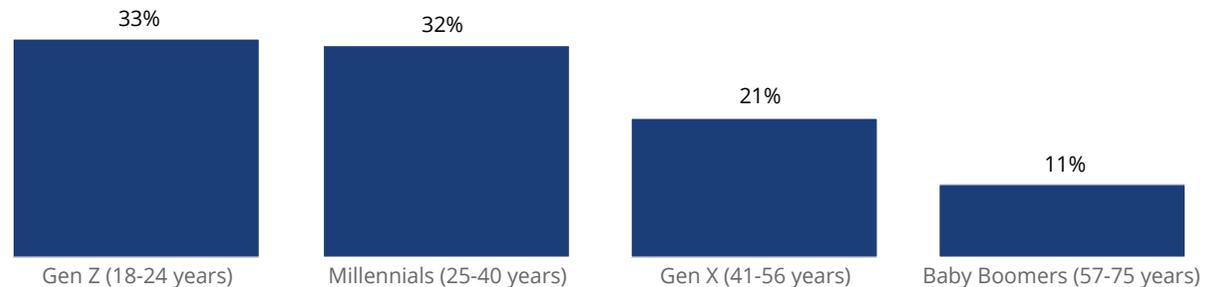
It is also one dominated my men, with male sports goods shoppers globally averaging 27% of the market compared to 17% female – of those shoppers that identified themselves to researchers – a ratio pretty much reflected in every major regional market analysed (Figure 22).

There is no denying that the world of sports – both professional sports watched by consumers and the market for sportswear and goods – is skewed to men. Until recently, the bulk of professional sports were dominated by the male version, particularly those that attracted large TV audiences. This has had an impact on the uptake of sports played by amateurs and the market continues to see this bias towards males.

There are some schools of thought that sports was predominantly aimed at boys at school between the 1950s and 1990s as part of the general mode of teaching life skills and teamwork. To sociologists, however, men love playing, watching and talking

Figure 21: Gen Z makes up the largest segment of consumers who bought leisure, sports, and hobby products online

Share of shoppers buying leisure, sport & hobby products online, by generation, worldwide, Q3 2022

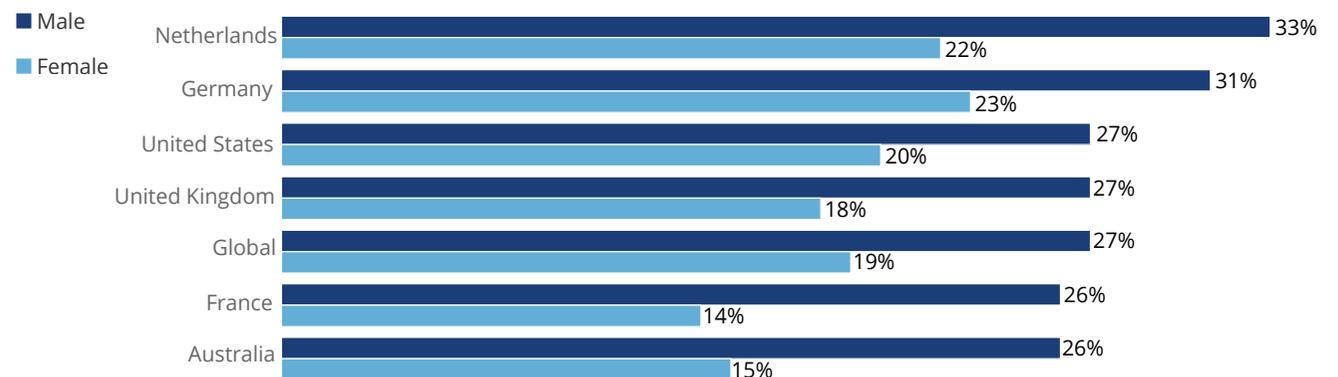


Source: Klarna; Nepa

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Figure 22: More men than women buy leisure, sport & hobby products online

Shoppers buying leisure, sport & hobby products online, by gender and country, Q3 2022



Source: Klarna; Nepa

© RetailX 2023

sports because modern, Western sports – dominated as they are by men and by values and behaviours that are traditionally regarded as masculine – provide a unique place for men to think about and develop their masculinity, to make themselves men, or at least one specific kind of man. A 1972 study in the US found that only 7% of high school athletes were girls^[1], while a 2014 global survey of 37 countries found that male participants vastly outnumbered female in all kinds of sport^[2].

However, things are slowly starting to change. Women’s sports and women’s sporting events are getting increasing coverage on mainstream TV, while the rise of the internet has seen niche sports, of either gender, easily accessible to all.

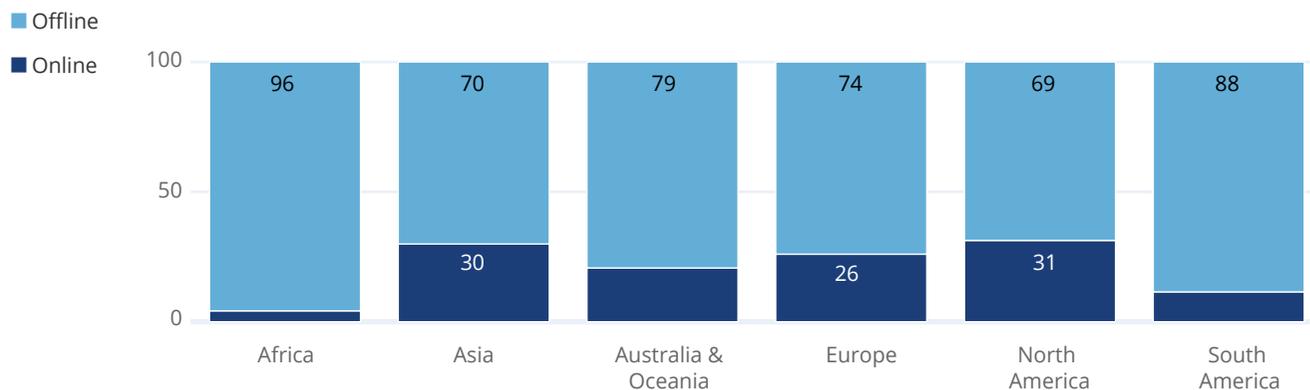
The rise of the health and well-being industry has also inspired more women to take up exercise, so there is hope that more women will be buying sporting goods in the years ahead.

The dominance of youth (of either gender), meanwhile, is attributed to the simple fact that not enough people over the age of 40 are fit enough to regularly engage in sports. Many are also hampered by the time constraints of more gruelling and responsible jobs and the pressures of childcare.

Still, with women’s sport growing and with more people than ever keen on leading a healthy lifestyle, the scope for growth in consumer sports goods worldwide remains strong.

Figure 23: Sporting goods shoppers in North America are more inclined to spend online

Sporting goods ecommerce online revenue % share, by region, 2022



Source: Statista Consumer Market Insights

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Figure 24: Over 75% of sporting goods purchases in Asia happen on a mobile phone

Sporting goods mobile vs desktop revenue % split, by region, 2022



Source: Statista Consumer Digital Market Insights

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HOW CONSUMERS SHOP: ONLINE VERSUS INSTORE

Regardless of age and gender, sports goods shoppers are remarkably analogue in their purchasing habits. Even in the highly tech-savvy markets of North America and Asia, only around 30% of shoppers are buying sports goods online. In Europe, it lies at just one-quarter while in Africa and South America, it is smaller still, sitting at 4% and 12% respectively (Figure 23).

This preference for offline shopping is driven by sports goods being a considered purchase. Much of the high-end equipment is expensive and so, after much online research, shoppers tend to head instore to try before they buy.

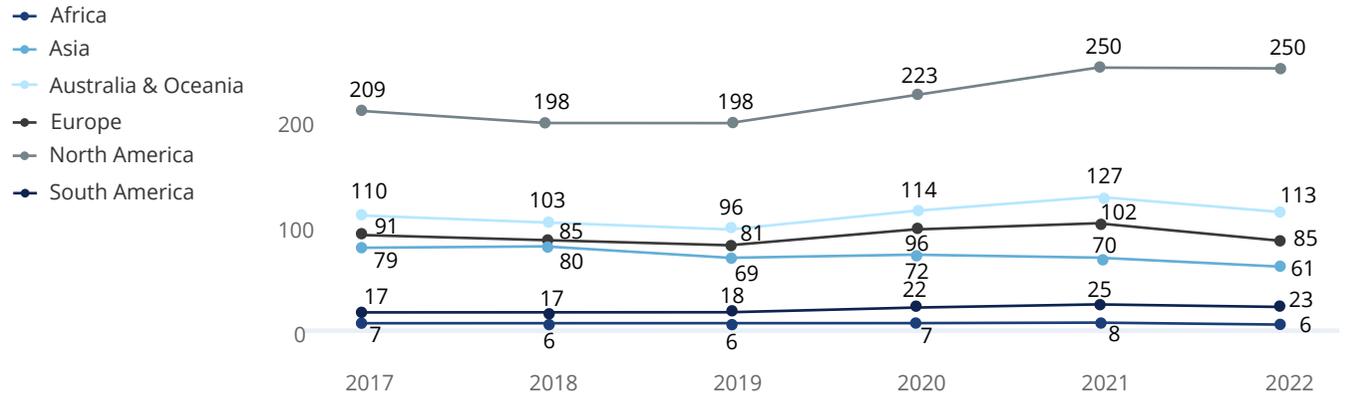
Sports players have to be very picky about the kind of apparel and footwear they use. If anything generates blisters, chaffing or other problems, it's repeated physical exertion. Making sure that the fit of sports apparel and footwear is correct is paramount.

For this reason, sports shoppers tend to purchase instore, where they can try on and even move about in the items to check fit and fitness for purpose.

This doesn't, however, mean that online doesn't play a significant role in the sports goods purchase journey. Much of the research and planning phase for the purchase is made online, including sourcing a physical store in which to try the goods on. The purchase is therefore often completed instore.

Figure 25: Sporting goods shoppers are spending less online

Average revenue per user of the sporting good sector (\$), by region, 2017-2022



Source: Statista Consumer Digital Market Insights

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Figure 26: United States keeps growing in sporting apparel online revenue per user

Sporting apparel ecommerce average revenue per user, by country (\$), 2017-2022



Sporting apparel includes sportswear, swimwear and athletic footwear

Source: Statista Digital Market Insights

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Additionally, many sports users often have a particular brand and style that they know works for them and they stick to it. This is particularly true in sports footwear and it leads to a re-ordering mentality, where online channels offer a much more convenient way to purchase. This, in part, plays a significant role in driving online sports goods sales.

HOW CONSUMERS SHOP: MOBILE VERSUS DESKTOP

Increasingly in the markets of Asia, North America and Europe, a growing proportion of this online phase now takes place on smartphones, with as much as 78% of online sports goods purchases taking place on mobile in Asia. In the US, it stands at 49% and in Europe, 47%. Even in the less digital markets of South America and Africa, of those that do shop online, 47% and 39% do so on mobile devices (Figure 24).

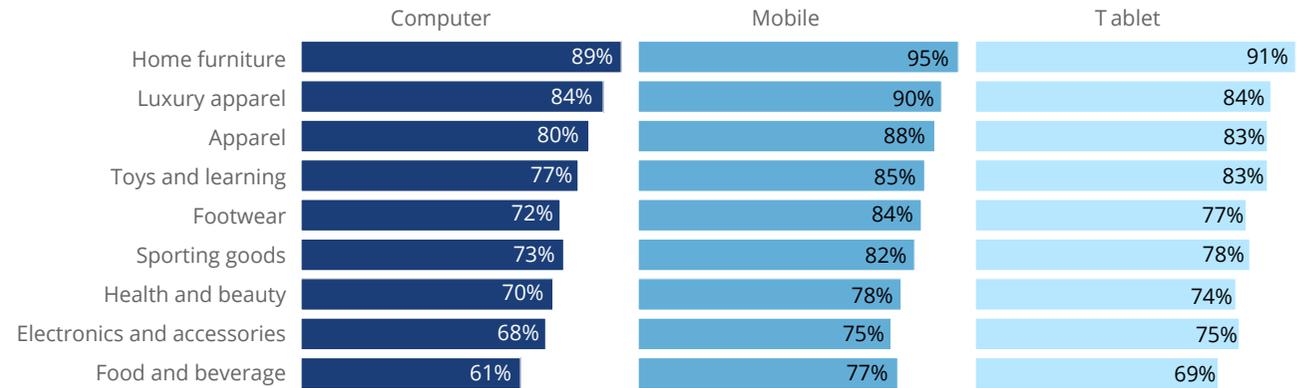
Asian consumers are one of the most mobile-first groups. With a rising middle class, affordable smartphones and increasingly competitive pricing of high-speed mobile data services, the region has seen many consumers push into using mobile as their primary means of accessing the web^[3].

Additionally, Asian consumers – especially those in China – are much more willing to share their data with brands and retailers in return for discounts and cheaper mobile services. According to data, 38% of Chinese consumers are willing to make a transaction between shared data and brands, rising to 45% across all of Asia. The global average is just 34%^[4].

Africa, too, sees a significant proportion of sales via mobile, with almost half (47%) using mobile to purchase when they do buy online. Again, this

Figure 27: Cart abandonment is higher on mobile phones

Cart abandonment rate, by category and device, Q3 2022



Source: Salesforce Research

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is because mobile is the predominant internet entry point for most Africans. Fixed-line telecoms infrastructure in the region has always been lacking and the mobile networks long ago offered a better service. For this reason, African consumers leapfrogged the use of fixed-line internet and went straight from nothing to mobile.

The majority of these shoppers, however, are using feature phones and are unbanked, so, while mobile makes up a significant proportion of ecommerce, overall ecommerce levels are still very low.

HOW DO CONSUMERS BEHAVE ONLINE?

The overall propensity of sports goods shoppers to shop instore is further revealed in the spending habits data for consumers in all regions (Figure 25). Average online revenue per user (ARPU) levels, while

touching \$250 per person in North America are lower than most other sectors. According to data, online fashion ARPU globally sits at around \$350 and toys and games, as well as food, at nearly \$300^[5]. In the US, online fashion ARPU sits at nearly \$400^[6].

While the buoyant sports markets in Asia attract a lot of customers and do generate significant revenues, that is off the back of relatively low online ARPU. In Asia, for instance, it stands at just \$61, lower than every other region bar Africa.

This indicates that there is significant revenue growth potential worldwide in online sports goods sales should retailers and brands be able to capitalise on it. As we have seen, shoppers look to try before they buy and sports goods are often a considered purchase. Integrating a more online feel into the

instore process could well be the first step towards shifting sales online, generating higher ARPU and also cutting overheads.

The rise of sports fashion, as opposed to sports apparel for purely sporting use, can also be a driver for growing online spend in the sector. Online ARPU is increasing notably in North America (Figure 26), with much of this growth being generated by the purchase of sports fashion online. There is also the argument that many shoppers, having found what they like for sporting pursuits instore, are now starting to re-order online, growing ARPU.

This is a trend not seen across the other regions, however. Online ARPU in sports sales in China went down between 2021 and 2022, while that of Brazil and Nigeria – the most developed and prominent markets in South America and Africa respectively – remain flat.

This indicates there is some way to go in driving increased sales of sports online in most regions. In China, for instance, the late lifting of Covid-19 restrictions in late 2022 prompted a mass return to store buying once it was available. In LatAm and Africa, online sports sales are just not a thing. Yet.

CART ABANDONMENT

By contrast, cart abandonment in online sports retail is relatively low (Figure 27). On fixed-line internet, it sits at around 73%, lower than most other major retail sectors such as home furnishings (89%), luxury apparel (84%) and apparel (80%).

The level is higher on mobile, where sports sees an 82% cart abandonment rate. Yet this too is much lower than that seen in home furnishings (95%), luxury apparel (90%) and apparel (88%).

The standout here is that cart abandonment online across all sectors is very high, with mobile a particular weak spot. For sports goods, the numbers are relatively good because the levels of purchase made online and on mobile are also relatively low, with shoppers preferring to actually purchase instore.

Of those that do go down the online route, it appears that they are more confident in what they are purchasing through these online channels, adding further credence to the notion that many are potentially re-ordering existing items or that they have already tried them instore and are now buying online for convenience, delivery speed or for a better price.

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Sustainability

Although sports goods consumers want to be sustainable, they also like high turnover and brand new items

Across retail, the issue of sustainable production, shipping and delivery has become a hot topic for many consumers. Much like the fashion sector, which it has considerable overlap with, the sports goods sector is one of the sectors that is attracting the most attention in this regard.

Both fashion and sports apparel manufacture have, for many years, been material, energy and resource intensive. The seasonality and 'trendiness' of items in both sports and sports fashion sees a huge turnover in items from month to month, with many goods being wasted and sent to landfill after only a few – or even no – wears. Combined, this intensity of production and the fact that items aren't worn to destruction make fashion and sports goods particularly environmentally unfriendly.

By way of an example, of the 100bn garments produced each year in the fashion sector, 92mn tonnes end up in landfill. That is the equivalent of a rubbish truck full of clothes dumped every second. If the trend continues, the quantity of fashion apparel waste is expected to reach 134mn tonnes a year by 2030. In addition, if nothing is changed, emissions produced from garment manufacture worldwide will double by 2030^[1].

Consumers have become achingly aware of this problem and are starting to shift their buying habits as a result. Globally, this is seeing shoppers look at buying fewer items, buying more sustainably produced items and looking at reselling and buying pre-loved fashion goods.

In the sports goods market, particularly around sports apparel and footwear, there has been a concerted effort to use more recycled materials in garment manufacture, along with looking at the use of new materials that are either lower energy to produce or which are much more biodegradable.

Consumers are changing their approach to buying, with a growing number looking at how to reuse items or buy second-hand. Drawing parallels again with the fashion sector, 42% of Gen Z and millennials say that they are likely to shop second-hand for clothing. This is strongest in Europe and particularly France, Germany and the UK, where more than half of shoppers are open to buying second-hand fashion or are actively doing so. These countries are up there with the US, where the second-hand and vintage market is thriving^[2].

For fashion, second-hand has become a booming new business model, with many brands and retailers actively now collecting and reselling their own and other brand's garments.

The global market for second-hand apparel was already worth \$28bn in 2019. After a dip at the start of the pandemic – though falling by a smaller amount than mainstream fashion – the sector has recovered and thrived, hitting \$36bn in 2021 and set to grow

increasingly rapidly to be worth \$77bn by 2025^[3]. While traditionally this sector has been dominated by charity stores and donated clothes, resale has started to take over, with more consumers starting to see the resale value of the clothes in their wardrobes, especially with luxury and unusual items that are starting to create a new vintage market.

This is yet to spread to sports goods but its time will almost certainly come. A range of marketplaces specialising in second-hand fashion, such as TheRealReal and Vinted, already sell sports fashion. eBay, which has pushed strongly into the vintage and vintage luxury markets, has rekindled its initial *raison d'être* as an auction site for used goods by becoming deeply involved in reselling sports goods, particularly iconic sports footwear of yesteryear.

GREEN DELIVERY

One of the most obvious environmental impact of the online sale of sports goods is delivery. A diesel van rolling up to a customer’s front door is a stark illustration of how goods have taken a long and energy intensive journey from raw materials and production through to delivery on their doorstep.

As a result, consumers globally are increasingly concerned about the environmental impact of their deliveries. This is particularly noticeable among Brazilian consumers, where 96% see it as very important, somewhat important or important that deliveries are at least carbon neutral (Figure 28).

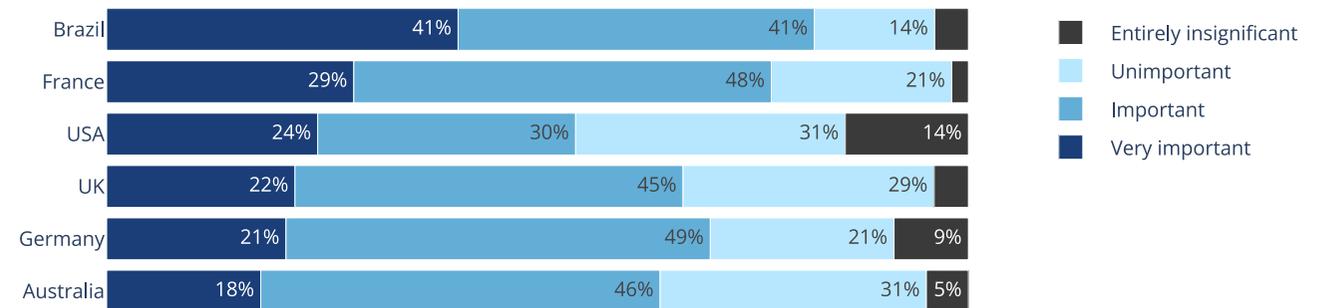
Globally, there are many markets where more than 90% of consumers see this as a concern, with France, Germany, the UK and Australia all up there. Interestingly, US consumers are far less worried about the environmental impact of their ecommerce habits, with 14% seeing it as entirely insignificant.

In the US market, there is clearly some way to go in raising awareness of the environmental impact of delivery. While there is a strong leaning towards ‘green-ness’ in the US market, there are swathes of consumers that don’t give it any thought and, indeed, many that don’t see human activity as a threat to the environment at all^[4].

That isn’t to say that all US consumers are not aware or concerned about green delivery. Rather it shows that a significant number give it no thought, prioritising speed and cost over the environment. Research, however, shows that across the US and Canada, 54% of consumers would accept longer

Figure 28: Brazilian sports goods online consumers care the most about retailers’ carbon neutral home deliveries

Level of importance sports goods e-shoppers give to carbon neutral home deliveries, by country, 2022



Based on 120-250 individuals in each of the shown regions, who purchase sports goods online, aged 16+, Aug 2022. Question: "How important to you is it that online retailers provide the following?-Carbon-neutral home delivery (e.g. electric vans)"

Source: RetailX Consumer Observatory

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delivery times if it meant more environmentally friendly delivery, while 20% would actually be prepared not only to wait but to pay more for the privilege.

Conversely, Denmark, usually seen as a paragon of environmental-friendliness and sustainability, ranked lowest of all countries, with just 27% of respondents saying that they would wait longer and pay more^[4]. This is largely down to the Danish consumer assuming that environmental considerations are baked into every business, so they are already paying for it.

SUSTAINABLE PACKAGING

As with delivery, packaging is also becoming an environmental hot-topic for many consumers. Again, Brazilian online sports goods consumers lead the way in seeing sustainable packaging as important when deciding the purchase sports goods. Here, 97% of the consumer base considers eco-friendly packaging to important to some degree (Figure 29).

Unlike delivery, however, packaging attracts less ire across the world. While shoppers in Brazil, France and the UK do see it as an issue when purchasing, in Germany, the US and Australia, it is less of a problem.

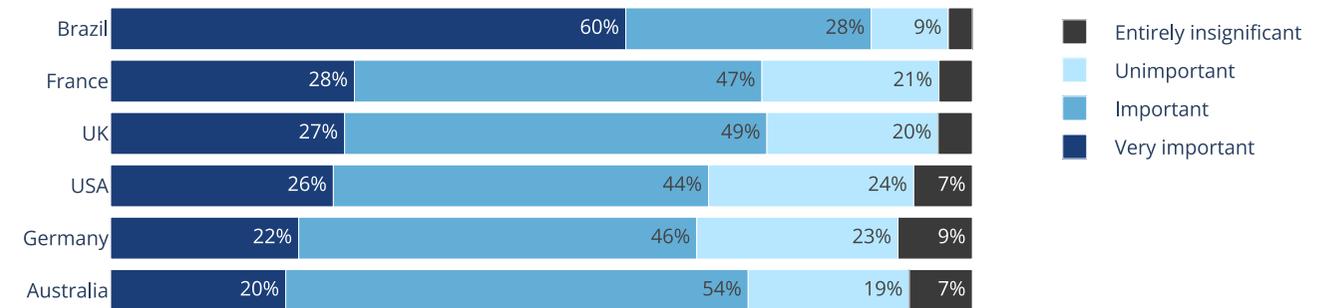
Interestingly, in the US – which is on average less concerned about the environmental impact of delivery – packaging is a much more prescient issue for consumers, with just 7% here not seeing it as important at all.

This sits somewhat at odds with the country having the second-highest level of climate change denial globally behind Indonesia^[4] and a much less well intentioned attitude to green deliveries. Research suggests that the pandemic has seen a significant shift in US consumers’ attitude to packaging in particular, with growing use of ecommerce starkly demonstrating how much packaging waste they had to get rid of^[6].

Data also shows that while US consumers don’t rank delivery or packaging highly as a purchase driver, they do consider recycling and recyclable materials, as well as a reduction in the overall amount of packaging, to be something that impacts their purchase decisions.

Figure 29: Brazilian sports goods online consumers care the most about retailers providing eco-friendly packaging

Level of importance sports goods e-shoppers give to eco-friendly packaging, by country, 2022



Based on 120-250 individuals in each of the shown regions, who purchase sports goods online, aged 16+, Aug 2022. Question: "How important to you is it that online retailers provide the following?-Use biodegradable and environmentally-friendly packaging"

Source: RetailX Consumer Observatory

© RetailX 2023

Some of this is attributable to not wanting to harm the environment – with marine litter of particular concern to US consumers – while much of it is likely down to households not wanting to have to personally discard or recycle so much waste.

SPORTS GOODS MANUFACTURE

Data shows that around 5% of sports and leisure purchases were made on sustainable grounds (4.1% for men, 5% for women) in 2021 and, while relatively small, this is up considerably on the 3.8% and 4.6% seen in 2019, pre-pandemic. The trend here is for exponential growth, with the proportion of sustainable sports goods likely to hit 4.9% and 5.9% by the end of 2022^[7].

This puts the sustainable portion of the sports market in Europe alone at around €600mn in 2021 and likely to hit €800mn this year.

Here, the onus is on companies to explore new, sustainable, materials, as well as looking at making their manufacturing, transport, packaging, sales and marketing as sustainable as possible (Figure 30).

Suppliers, producers and brands are also set to look more closely at recycling materials and creating their own markets for second-hand equipment and apparel. Both of these markets are reliant on materials, technologies and manufacturing processes that are material and energy-intensive, so the sector faces a big challenge in reducing this.

This is already being seen in the sector. Nike, for instance, has seen 99.9% of the waste from its footwear manufacturing business being either recycled or converted into energy since 2019. It has also cut fresh water use by 23bn litres a year since 2016. Adidas, meanwhile, states on its website that 60% of its products have been made from sustainable materials since 2020.

Figure 30: Depending on labour and energy intensity, nearshoring could increase costs up to 20%

T-shirt products illustrative simulation of COGS breakdown in 2030, by type of cost



Note: * Includes R&D, SG&A, and Profit by suppliers

Source: McKinsey & Co. CPG Apparel network model and analysis (June 2022)

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Brands such as Patagonia, itself a long-term environmentally friendly company with ethical products, are seeing a surge in interest from consumers, with sales picking up as a result.

A raft of new brands has sprung up putting sustainability front and centre of their ethos and marketing. Organic Basics, Girlfriend Collective and Wolven have all become more popular since 2020, while SportsShoe.com, a specialist running shoe company, has completely rejigged its business to become carbon neutral so that it can leverage sales as “the world’s most sustainable running equipment retailer” by 2025.

SPORTS GOODS AND BUILT-IN OBSOLESCENCE

The sport goods market is one that benefits from having obsolescence built-into its products as an accepted part of its consumer sales strategy. However, this does make it rather hard to apply sustainability criteria.

Many users of performance sports goods are well aware that not only do their items need to fit and feel right, they will only do so for a limited time. A prime example is the road running shoe. While dedicated users will have their preferred brand and even their preferred model, they are also keenly aware that they have a lifetime of around 500 miles. After this point the supportive foams and the tread start to degrade, reducing the impact resistance afforded by the shoes. For this reason, users of performance running gear are predictably loyal repeat purchasers.

The same applies to many other sporting items. Wicking clothing, which uses tiny silver threads within the clothing to help remove moisture and sweat so that the clothes stay dry, also have a limited efficacy with time; sports bras lose their vital support with repeated use; and even tennis balls lose their springiness with use over a limited time.

All this is a boon for performance sports goods vendors since they have a reasonably predictable repeat purchase timeline and, if sold using ecommerce, an excellent insight into their customers' habits.

However, it makes the resale and second-hand market for these goods almost non-existent and sees a lot of worn (but rarely broken or completely worn-out) sports goods end up in landfill.

This prevents the performance end of the sports goods sector from achieving sustainability goals in many markets.

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Largest 50 global sports brands and retailers

While the global sports goods market is dominated by enormous, well-known brands, a wealth of localised players also attract a lot of traffic

WHO ARE THE LARGEST 50 AND HOW DO THEY PERFORM?

The Largest 50 sports brands and retailers list reads like a veritable who's who of leading brands, showing just how prevalent sports brands are in the modern retail world (Figure 31).

88% of the Largest 50 retailers and brands sell in more than five countries, revealing the international nature of the sector, with big brands having to rely largely on global reach to generate their high traffic levels. Equally, many of these are internationally recognised brands, with 28% of the Top 50 operating in more than 50 countries and 4% operating in more than 100.

While the 'big guns' of Nike, Adidas – both named Elite retailers in RetailX's Global Elite 1000 list^[1] – Under Armour and The North Face all appear high up in the list, other brands in the higher echelons come more as a surprise.

For example, Garmin's showing as the second-most trafficked brand site globally, with a presence in 97 countries, is unexpected. The company, which produces and sells activity trackers and sports watches, is surprisingly popular and reveals the recent shift in brand power within the sector.

Garmin exemplifies how sports tech has become a pivotal and lucrative part of the sports goods sector that drives much of its revenue growth, particularly in the affluent markets of Asia, North America and Europe.

Also gracing the Top 50 by traffic are US-only brands Dick's Sporting Goods and GunBroker. Dick's – an omnichannel sporting goods seller that sells apparel, footwear, outdoorwear, fitness equipment and more – is the largest sporting goods retailer in the US, but it's largely confined to selling just within the US.

Testament to the size of the US market, Dick's attracts the fourth largest amount of retail traffic of any global sports seller from pretty much one country.

Similarly, GunBroker, the largest online firearms marketplace and the seventh-largest sports brand by traffic in our data, exclusively sells firearms and related goods, so again sees the bulk of its traffic (97.6%) coming from the US and a further 1% arriving from Canada^[2].

Again, this is illustrative of how large the US market for sports goods is, particularly in some of these highly niche areas. It shows how hunting and fishing are still highly popular sports in North America and continue to generate significant growth..

The US market alone sustains these two sites in the Top 10 by traffic. So prevalent is the sports firearms and hunting market in the US that several retailers and brands that specialise in this equipment – and which target only the US – feature on this list. It's a big segment, limited to this one, huge market.

Russia's Sportsmaster has a similar impact. It makes the Top 20 by traffic, despite being limited to selling in just eight countries outside of its core Russian market – all satellites of the former Soviet Union, including Belarus, Poland, Kazakhstan, Kyrgyzstan and Armenia. It also has a limited presence in Denmark, China, Bangladesh and Vietnam.

However, the increasing isolation felt by Russia as its war in Ukraine continues may see its ranking in the Top 50 fall during 2023 and beyond as many of these countries – particularly Poland and Denmark – are increasingly blacklisting Russian brands and retailers.

Figure 31: The Largest 50 sports brands and retailers globally by traffic

Company name	Global web traffic	Main domain	No. of countries with web traffic to that domain
Nike	458,215,425	nike.com	135
Garmin	220,923,440	garmin.com	97
REI	149,446,703	rei.com	66
Dick's Sporting Goods	118,937,762	dickssportinggoods.com	26
Netshoes	98394,287	netshoes.com.br	7
Adidas	82,016,030	adidas.com	106
GunBroker	69,831,557	gunbroker.com	12
Decathlon	65,578,307	decathlon.fr	29
Puma	53,452,217	puma.com	72
Cabela's	49,169,684	cabelas.com	13
SportsDirect.com	45,586,056	sportsdirect.com	67
Bass Pro Shops	40,775,784	basspro.com	10
Спортмастер (Sportmaster)	39,807,432	sportmaster.ru	9
MidwayUSA	39,024,387	midwayusa.com	6
Backcountry	37,915,892	backcountry.com	22
Patagonia	37,658,200	patagonia.com	47
Opticsplanet	36,429,139	opticsplanet.com	29
Polar	33,758,458	polar.com	56
Asics	33,584,615	asics.com	54
Under Armour	33,380,691	underarmour.com	42
Fanatics.com	32,513,354	fanatics.com	22
Gymshark	30,824,954	gymshark.com	60
MyProtein	30,102,519	myprotein.com	52
Centauro	29,854,885	centauro.com.br	4

Company name	Global web traffic	Main domain	No. of countries with web traffic to that domain
New Balance	28,075,998	newbalance.com	47
Skechers	27,600,396	skechers.com	33
The North Face	24,656,766	thenorthface.com	47
SportChek	24,030,861	sportchek.ca	3
Foot Locker	23,895,601	footlocker.com	31
TrekBikes	23,009,002	trekbikes.com	50
Brownells	22,439,317	brownells.com	14
JD Sports	22,254,966	jdsports.co.uk	19
Columbia Sportswear	22,230,719	columbia.com	38
Bike-Discount	20,300,959	bike-discount.de	44
Camping World	18,847,557	campingworld.com	2
Canyon	18,031,703	canyon.com	53
Sportman's Guide	17,910,093	sportsmansguide.com	6
Golf Digest	17,780,571	golfdigest.co.jp	3
Evo	17,519,831	evo.com	36
Tennis Warehouse	17,364,423	tennis-warehouse.com	50
Fabletics	16,680,281	fabletics.com	7
Bike24	15,353,697	bike24.com	58
Specialized	15,211,987	specialized.com	52
Bike-Components	15,186,390	bike-components.de	41
Classic Firearms	14,965,775	classicfirearms.com	1
Finish Line	14,961,817	finishline.com	11
Salomon	14,895,192	salomon.com	36
MandM Direct	14,868,401	mandmdirect.com	10
Chain Reaction Cycles	14,702,592	chainreactioncycles.com	45
Intersport	14,596,316	intersport.fr	5

THE IMPORTANCE OF BRANDS

The importance of brand in retail is a well-understood phenomenon but in the sportswear market, it is particularly prescient. Sportswear – both for actual sport and for sports fashion – tends to attract very loyal followers, with the youth market particularly tribal about which sports brands they will wear.

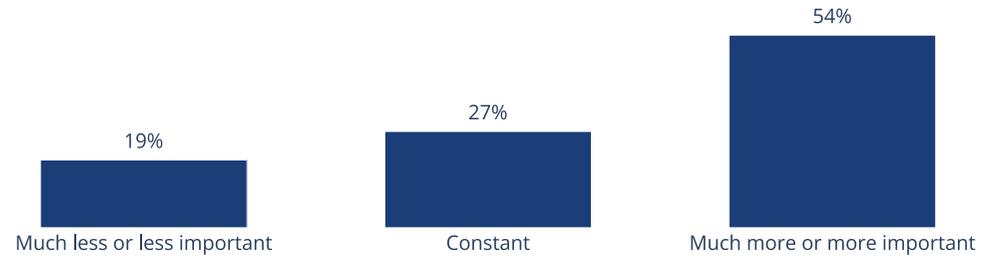
To drive growth, sportswear brands have to maintain this loyalty by building on their brand values and image, while also using brand to attract new users and lure others away from their preferred brands.

This idea of globally recognised branding is carried through the sector, with more than half of sports goods companies saying that having a strong brand is vital for growth and revenue generation in the sector (Figure 32). Similarly, more than 50% also expect to increase their investment in brand and brand building (Figure 33).

Among the companies listed in the Largest 50 (Figure 31) are some of the best-known brands in the world: Nike, Adidas, Puma, Decathlon, New Balance and Gymshark. These – along with many others in the list – have done a massively successful job of creating, building and growing brand which has, in turn, led to enormous global sales. This itself has continued to grow the brand organically and has helped many of these players expand into new territories, new segments and to attract new, loyal customers. Such reasons are also why the sports goods sector is one of the most international.

Figure 32: Over half of companies believe brands are becoming more relevant

Evolution of brand relevance, % respondents, September 2022



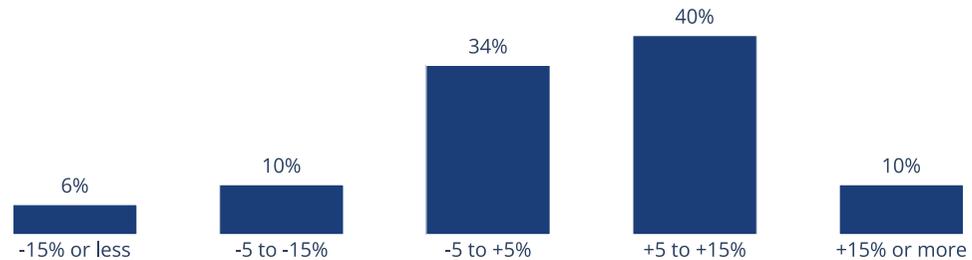
Note: survey carried out in September 2022 (N=211); In your opinion, how is the relevance of having a strong and trusted brand evolving? (n=163)

Source: WFSGI & McKinsey Sporting goods companies survey, September 2022

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Figure 33: More than 50% of companies expect to increase brand investment

Expected change in brand investment, % of respondents, September 2022



Note: survey carried out in September 2022 (N=211); How are your company's investments on brand building evolving? (n=88)

Source: WFSGI & McKinsey Sporting goods companies survey, September 2022

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LOCAL BRANDS DOMINATE

This backdrop of certain uber-brands being internationally recognised is only part of the. When consumers are asked about their preferences around value for money, personalisation, reliability, design and a range of other factors that influence their choice of sports goods, the preference is actually skewed towards local brands (Figure 34).

51% prefer local brands to international ones (19%) when it comes to value for money, 54% to 18% with personalisation and 47% to 23% when asked if it makes them feel like they are living a better life. Even the idea of premium branding is more localised, with 40% preferring local against 31% international.

This goes against the conventional wisdom that most consumers prefer globally recognised brands, since they are perceived as being higher quality, part of a global culture and independent of country of origin^[3]. In reality, this is only true for some major brands that have truly global – and nation-independent – reach, such as Nike and Adidas. For many consumers, the more culturally sensitive nature of local brands, along with much lower price points in markets where living standards are lower, are much preferred.

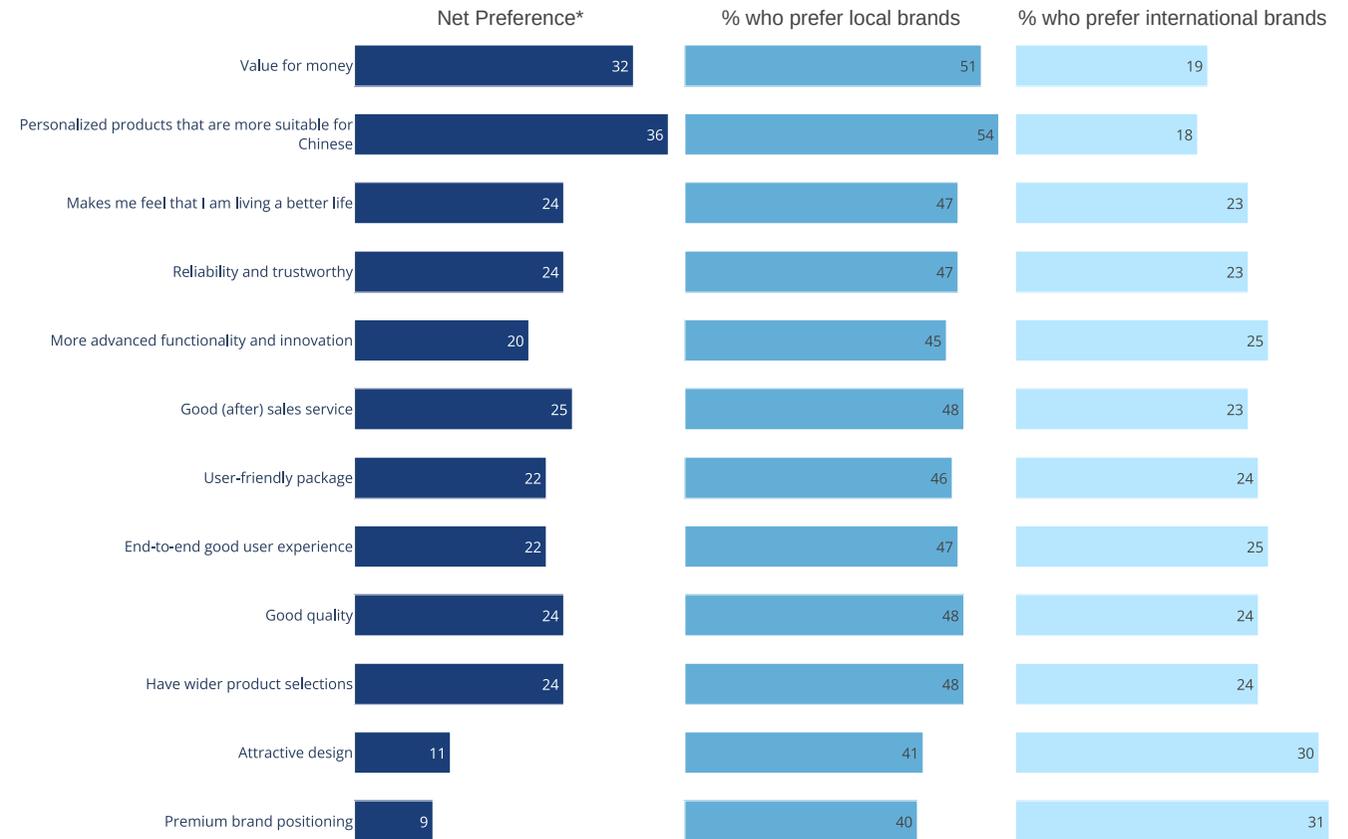
Many international brands work around this by investing in a local presence, opening offices in those markets to tailor products to them.

Reference

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Figure 34: Local brands are preferred over international ones in the sports shoes category

Net preference of local brands over international brands in the sports shoes category (delta in p.p.*),



Note: net preference of local brands is calculated by the sum of % responses who think local brands are extremely better/better than foreign brands, minus the sum of % of responses who think foreign brands are extremely better/better than local brands (n=1098)

Source: 2023 McKinsey Sporting Goods Report

Expert insight

Ace sportswear online with a loyalty-inspiring 3PL solution

As Director of Business Management at PFS, Ben Scherpenbergs helps leading international brands across a range of B2B and DTC industry verticals, including sports goods, develop brand-forward ecommerce programmes that inspire lasting loyalty.



Whether fans are gearing up for opening day, perfecting their attire for the annual tournament or seeking the look their favourite player wore in the final round, delivering a stellar experience with every order is critical to capturing loyalty and

ensuring repeat purchases. To be in it with a chance to win it, sportswear brands must be able to pivot operations to support both planned and sudden demand spikes.

Here are four top tips from PFS' sportswear fulfilment experts on how to make this a reality:

1. IMPLEMENTING THE RIGHT INFRASTRUCTURE FOR SUCCESS

Being set up for success begins with having the right infrastructure in place. A [multi-node fulfilment strategy](#) powered by distributed order management (DOM) technology takes advantage of several distribution points strategically located to ensure faster delivery – an essential for time-sensitive sporting events.

Alternative fulfilment solutions such as a [pop-up distribution centre](#) can also be used as temporary, cost-effective solutions to accommodate sudden spikes in demand. Likewise, using physical store location(s) to [fulfil online orders](#) and vice versa (order instore, ship from warehouse) can help.

2. MAKING SURE STOCK DOESN'T RUN DRY

During the sporting season, there is a small window of opportunity for brands to get it right, so ensuring sufficient stock is a must. Brands need to [forecast](#) as accurately as possible to ensure they are prepared. [Big data](#) obtained from ecommerce platforms, searches and purchase history has become a vital tool when it comes to trend spotting – enabling brands to plan ahead and make the most of every sportswear peak.

3. USING PROMOTIONS FOR A COMPETITIVE EDGE

Another top tip for success is centred on promotions. A major tennis tournament, for example, often results in an increase of smart attire being purchased for those in attendance and is easy to forecast due to consistency in dates and formality. Using big data can enable retailers to spot trends within consumer shopping habits

and personalise offers and advertisements served to customers on and off the platform.

4. BE PREPARED FOR SPORTSWEAR PEAKS!

Last but not least, brands must be prepared. While seasonal sporting events can mean huge profit potential, being unprepared can lead to disaster. Brands must ensure they have the right team, partnerships and strategies in place well in advance. By doing so, they can scale up and down as needed throughout the year, keeping up with current and future spikes as they come.

For support on keeping up with sportswear peaks and other seasonal spikes, enlisting a 3PL like PFS can be a major help. Download our latest eBook '[It's Never Too Early To Prepare For Peak](#)' to learn more and [contact PFS](#) today to find out how we can create a winning fulfilment solution for your brand.



PFS

PFS is the premier ecommerce order fulfilment provider. We facilitate each operational step of an ecommerce order in support of DTC and B2B retail brands. Our scalable solutions support customised pick/pack/ship services that deliver brand-enhancing experiences with each order. With 25+ years as an industry leader, PFS is the BPO of choice for brand-centric omnichannel operations.

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Defining the global eCommerce customer experience

PFS helps brands to meet customer demand on an international scale. We offer technology-driven solutions, proven processes and expert knowledge that your business can depend on to deliver brand-enhancing customer experiences.

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Asics at a glance

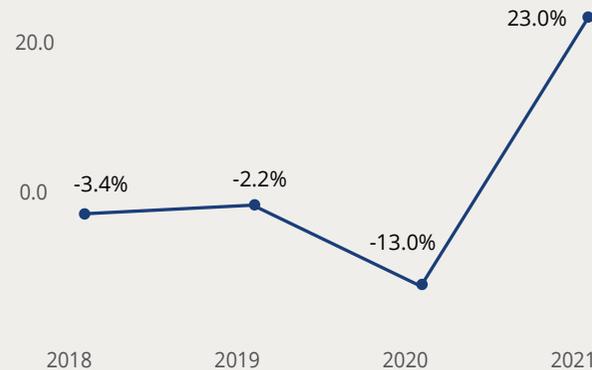
Company: Asics
HQ: Kobe, Japan
Founded: 1977
Employees: 8,900
Revenues 2022: \$3.6bn
Sports segments: Apparel, footwear
Brands: Asics, AsicsTiger, Onitsuka Tiger and Haglöfs

Freddie Mercury and Bruce Lee popularised them and Nike was established to sell them, yet Japanese sports brand Onitsuka, the precursor to today's Asics, has all but disappeared from popular culture. But Asics formed in 1977 from the merger of Onitsuka with fishing and sporting goods company GTO and athletic uniform maker Jelenk – has gone on to be something of Japanese sports brand powerhouse.

With sales in excess of ¥484.6bn (\$3.6bn), the company has seen strong sales growth across 2021 and into 2022 (Figure 35), with 58% of the company's income coming from the sale of performance running shoes, 21% from other shoes, 10% from apparel and equipment and 11% from Onitsuka Tiger – the vintage brand it continues to run.

The company is also relatively international, with 26% of sales in 2021 coming from Japan, 20% in North America, 25% in Europe, 12% in China and 17% in other regions.

Figure 35: Annual revenue growth of Asics Corp (%), 2018-2021



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

The company has traditionally been sold through third-parties worldwide, such as sports equipment and apparel stores. However, online sales had been growing up until the pandemic struck, when online sales shrank nearly 10% as consumer confidence in both Japan and the US withered. Growth online has since returned, with 2021 and 2022 both generating positive online sales (Figure 36).

Currently, Asics' direct to consumer business generates \$553.9mn, predominantly in the US and Japan, although online sales are also rising in the UK.

Asics is an acronym of the Latin 'Anima Sana In Corpore Sano', meaning "a sound mind in a sound body" and the company has become one that tries to focus not just on its goods, but also on wider health and mental wellbeing. It runs its own

Figure 36: Annual growth of web traffic to Asics (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

sports science research facility – the Research Institute of Sports Science (RISS) – where athletes and scientists work on new materials and innovations, as well as studying the movement of the human body. The Institute features its own 350-metre running track and a volleyball court for testing. The facility itself employs more than 200 people and active athletes who wear and are sponsors of the Asics brand are flown in at least once a year to see the current research and to give their input on future shoe and apparel designs.

The company also runs an ethics hotline, called EthicsPoint, where employees can anonymously report unethical, unsafe or illegal activity across the company.



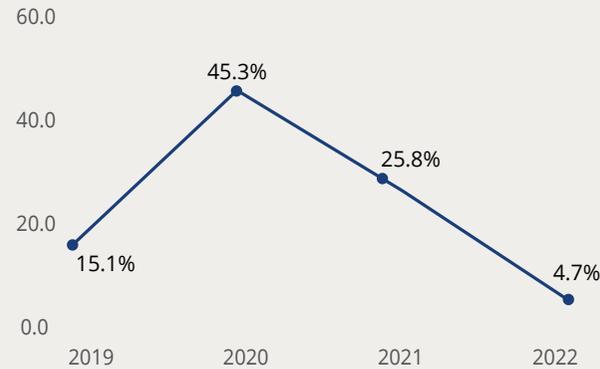
Bike24 at a glance

Company: Bike24
HQ: Dresden, Germany
Founded: 2002
Employees: 450
Revenues 2022: \$275mn
Sports segments: Bikes, cycling apparel, cycle parts and accessories
Brands: Sells a wide range of bike brands including, but not limited to, Trek, SRAM, Marin, Brompton, Shimano, Garmin, Fox and Asics

Servicing mainly Germany, Austria and Switzerland (69% of sales) but growing in the rest of Europe (23%) and the wider world (8%), Bike24 was an early mover in online sales of high value items, leveraging fledgling ecommerce in 2002 to start selling bikes. Originally targeting the high-end sports bike market in Germany, founders Andrés Martin-Birner, Falk Herrmann and Lars Witt – all keen cyclists – have rapidly evolved the company to become one of the leading ecommerce platforms in Europe as well as cementing its position among the cycling fraternity with its focus on excellent customer service and rapid shipping.

Revenues in excess of \$275mn in 2022 show just how strong this model has become. However, while sales growth in the company was very

Figure 37: Annual revenue growth of Bike24 Holding (%), 2019-2022



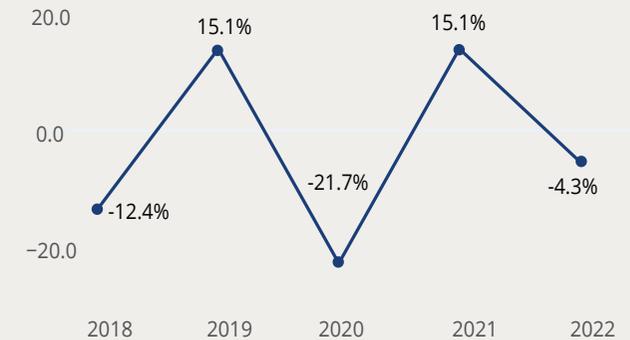
Source: RetailX, drawing on data from Bike24 company presentation documents and CompanyDB © RetailX 2023

buoyant in 2020 – when cycling came into its own for many locked down Europeans – revenue growth has slowed in 2021 and 2022 as the market returns to a more natural level (Figure 37). That said, sales growth continues.

Strong online competition – along with rising cost-of-living concerns in Europe – may have impacted revenue growth but traffic was still perky in 2021, showing double-digit growth. This fell back in 2022 and continues to slide as consumer wariness of high-end purchases grows (Figure 38).

Yet rising fuel prices, is driving growing interest in electric bikes as a green and more efficient means of local transport – a fact that Bike24 is keen to exploit.

Figure 38: Annual growth of web traffic to Bike24 (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

The company is maintaining high stock availability of ebikes in its central Dresden warehouse, as well as upping its logistics support to offer same-day shipping on 90% of the products shown online.

Continued investment in warehouse automation is seeing the company gain a further competitive edge in online bike and spares sales.

The company is also building further consumer trust with the opening of a service and repair centre in downtown Berlin – a city of cyclists – that gives Bike24 customers a place to see and try bikes and get advice, as well as running workshops, repairs and servicing and a bike wash.



CAMPING WORLD

Camping World at a glance

Company: Camping World

HQ: Lincolnshire, Illinois, US

Founded: 1966

Employees: 12,000+

Revenues 2022: \$6.97bn

Sports segments: Camping gear and accessories, recreational vehicles, recreational vehicle parts and servicing

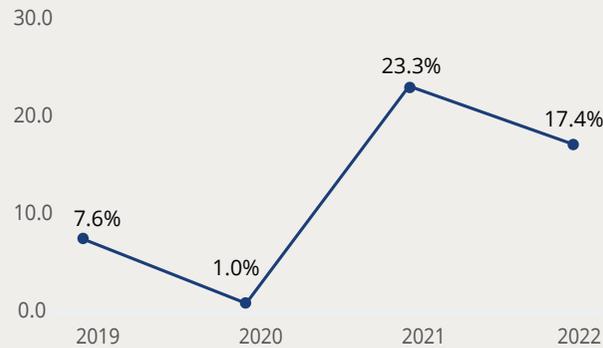
Brands: 114 brands including, but not limited to, Demetic, Kampa, Easy Camp, Igloo, Regatta, Jack Wolfskin, VW and Yeti

Camping World started as a small supply store on a camp site in Beech Bend, Kentucky in the US – dubbed the largest camp ground in the world. With a high throughput of campers, the site was already profitable but the owner's son, David Garvin, saw an opportunity. With many campers asking for a store to buy supplies, he took out a loan and started one.

Naturally it thrived and, having had the foresight to keep the contact details of all the sites customers, he created an even more successful mail order business. Garvin sold the business in 1997 to Good Sam Enterprises and Camping World has gone on to become a behemoth in the US outdoor market, eventually extending its reach worldwide.

The company has seen strong and continued revenue growth as it has developed and expanded. Lockdowns in 2020 saw it take a hit since campers

Figure 39: Annual revenue growth of Camping World (%), 2019-2022



Source: RetailX, drawing on data from Camping World annual reports

© RetailX 2023

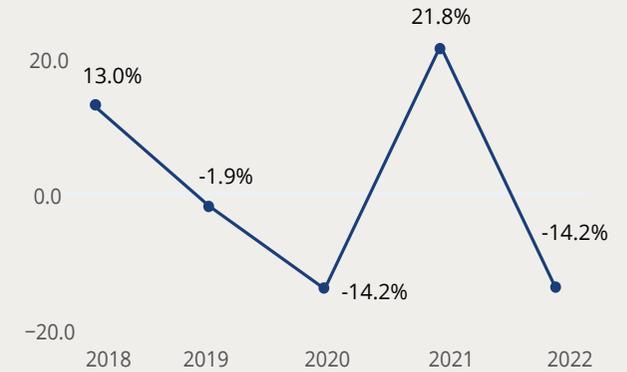
were unable to travel or gather. However, recovery has been very strong, with revenues growing 23% and 17% year-on-year across 2021 and 2022 (Figure 39).

The company's mail order business has morphed over the years into a strong online presence, largely in the US, but increasingly in the UK, India, Mexico and Canada.

Web traffic to the site has fluctuated wildly across 2021 and 2022, first rising 21% then dropping by 14% (Figure 40). However, the latest data suggests that starting in 2023, traffic is again rising, hitting 6.2mn visitors in March 2023 – up 27% in a month.

One of Camping World's biggest revenue generators in the US market is the sale of recreational vehicles (RVs) and their spares. In 2021, the company sold 409,000 new RVs and 312,000 used. The company is also

Figure 40: Annual growth of web traffic to Camping World (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period

Source: RetailX, drawing on data from SimilarWeb

© RetailX 2023

looking to expand through diversification within the sports sector, moving into hunting and fishing gear and accessories with the acquisition of Gander Mountain. This company includes the well-known Gander Outdoors and Overton's brands.

Camping World has also partnered with electric vehicle maker Lordstown Motors to sell and service electric and hybrid RVs.

The company is keen to keep on expanding its demographic reach beyond the 45-65-year-old market – which accounts for 42% of its current sales – with extensive advertising and sponsorship of college football and motor racing in the US.

Since 2016, it has held naming rights to the Camping World Stadium in Orlando, Florida, and sponsors the Camping World Kickoff college football game.



Diadora at a glance

Company: Diadora
HQ: Caerano di San Marco, Italy
Founded: 1948
Revenues 2022: \$10.7bn
Sports segments: Apparel, footwear, accessories
Brands: Diadora, Geox

Like Asics, another sports brand to take its name from antiquity, this time the Greek dia-dora, means “sharing gifts with honours”. The Italian sportswear brand Diadora came into being as a maker of mountain climbing boots, although soon switched to the then nascent market for football boots and sports shoes in the 1950s as post-war interest in sports grew.

By the mid-1970s, it had launched a push into tennis, signing world champion Björn Borg in a lucrative sponsorship deal. But it has been football where the company has truly made its mark.

Signing AC Milan striker Marco van Basten as the face of the company in 1980, it has gone on to become the supplier of kit and boots to several top Italian football clubs, including AS Roma, as well as providing kit for the likes of Roberto Baggio, Francesco Totti, Antonio Cassano and Roy Keane.

Figure 41: Annual revenue growth of Diadora Spa (%), 2019-2022



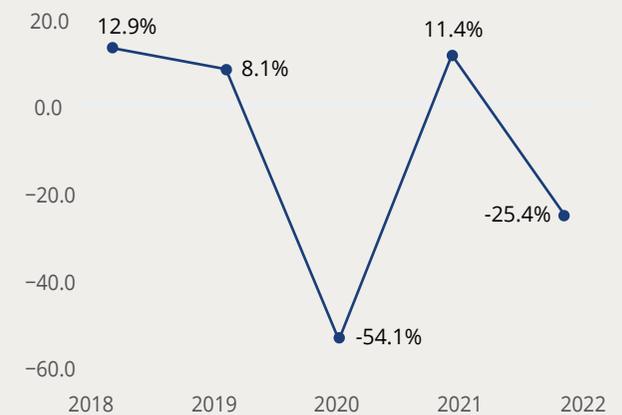
Source: RetailX, drawing on data from Company DB © RetailX 2023

The brand is something of a niche player in the wider sports market and, as such, sales have wavered through the year, with revenue growth trending downward in 2020, 2021 and 2022 (Figure 41).

Web traffic, too, has seen highs and lows, with the pandemic in 2020 seeing online sale plummet 54%, only to recover to 11% growth the following year. 2022, however, again saw online traffic drop by a quarter (Figure 42).

In 2008, Diadora signed a joint venture with Win Hanverky Holdings Limited, forming a new company called Winor International Company Limited that operates the trademark Diadora in China, Hong Kong, and Macau to manufacture, design, promote,

Figure 42: Annual growth of web traffic to Diadora (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

distribute, and sell products bearing the brand in those countries.

The company has also sought to diversify, buying the interests of fellow Italian shoemaker Geox in 2009. The Geox brand makes shoes and sports shoes that have patented ventilated soles. These were created by Geox founder, Mario Polegato, who, to cool his hot feet while out jogging, initially cut holes in the soles of his trainers with a Swiss Army knife.

Geox has since filed for bankruptcy in Canada, although it continues to operate manufacturing plants in China, Indonesia and Vietnam.



Garmin at a glance

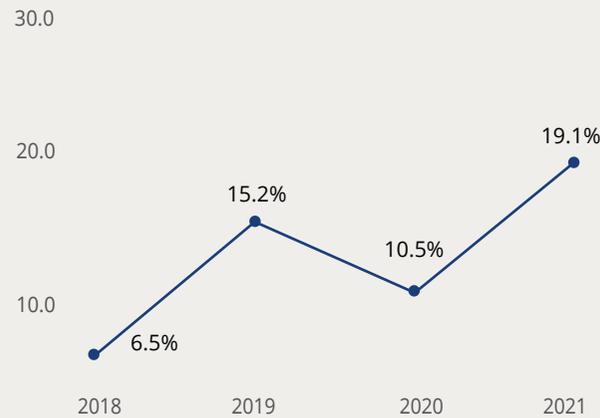
Company: Garmin
HQ: Olathe, Kansas, USA
Founded: 1989
Employees: 19,700+
Revenues 2022: \$4.86bn
Sports segments: Activity trackers and sports watches
Brands: Garmin, Aerodata, Navionics, FirstBeat Analytics, Tacx, EasyHunt and AIM Technology

Garmin has come to prominence in the sports goods sector through its range of sports watches and activity trackers – a business built on its early successes with the Global Position System (GPS) technology that it help develop for the US military.

Founded in 1983 as ProNav by Gary Burrell and Min H Kao – with Garmin a portmanteau of their names – the company created the first sat nav device. Priced at \$2,500, its main taker was the US Army but as the technology became more established and prices fell, ProNav increasingly started to sell to civilians. By 1999, sales had hit three million devices at \$232mn.

In 2018, sensing the growing consumer interest in wearable tech, the company branched out into selling Connect IQ 3.0 and a series of apps – My Swim Pro, Yelp, Trailforks and iHeartRadio – to

Figure 43: Annual revenue growth of Garmin (%), 2018-2021



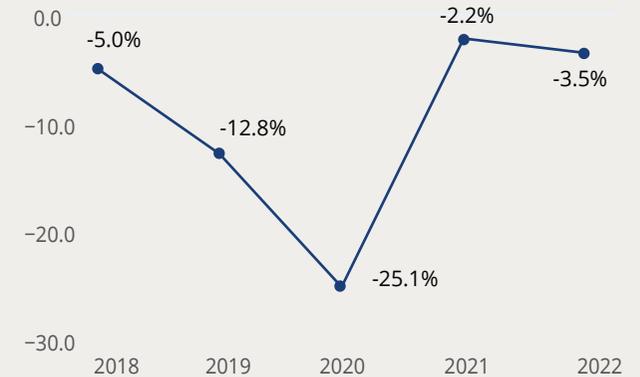
Source: RetailX, drawing on data from Company DB © RetailX 2023

track fitness and exercise, as well as developing more medically inclined products that monitored sleep apnoea and atrial fibrillations.

While part of the now multi-billion-dollar company was tasked with developing nav systems for aircraft, the rest of the business expanded into health and sport through acquisition, buying EME Tech Sat, Digital Cyclone and Dynastream to give it access to a range of foot pods and heart rate monitors. From this existing tech, Garmin has developed a large range of sports and fitness products, along with low power and low cost wireless connectivity devices.

This expansion has seen Garmin cement its position in the sports sector and helped take revenues to

Figure 44: Annual growth of web traffic to Garmin (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

just below \$5bn in 2022, with revenue growing in double digits across 2019 to 2021 (Figure 43). Online traffic growth has been less impressive, but Garmin products are typically high-value and considered purchases, so many consumers choose to buy them through physical retail.

Garmin’s move into the smartwatch market is likely to see the company generate further revenues, with the segment tipped to be worth over \$70bn globally by 2030 and Garmin already taking the top spot in the premium smartwatch category. While Apple may be ahead across the whole smartwatch business, taking 36% of the market, in revenues terms, Garmin is in the top five as a result of its premium products.



Gymshark at a glance

Company: Gymshark
HQ: Solihull, UK
Founded: 2012
Employees: 900+
Revenues 2022: \$601mn
Sports segments: Fitness apparel, accessories and athleisurewear
Brands: Gymshark

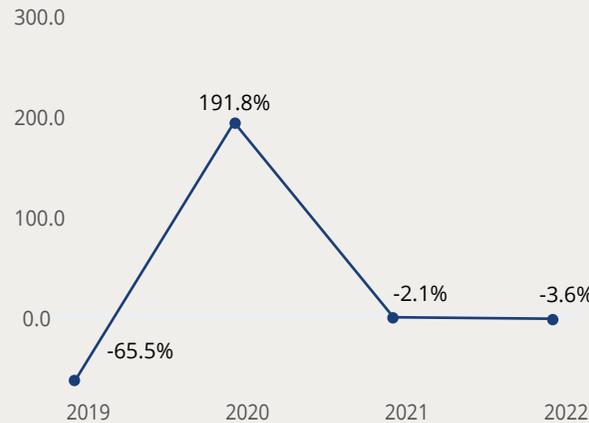
Starting life as humble body-building supplements dropshippers, Gymshark founders Ben Francis and Lewis Morgan took a detour into designing and manufacturing their own fitness apparel – initially by hand and in Francis’ parents’ garage.

Creating a stir at the Body Power fitness trade show in 2013, the company suddenly found itself the doyen of Facebook. Its Luxe tracksuit became a viral sensation and generated a staggering £30,000 in sales after being available online for just 30 minutes.

Four years after being set up, and three since the Luxe tracksuit, the company was named as the fastest-growing UK company on *The Sunday Times* Fast Track 100 – not bad for a business that was financed in its first year by Francis working as a pizza delivery driver in his spare time.

Today, the company, whose name was picked arbitrarily because it was a cheap domain name, turns over in excess of \$600mn and sells directly

Figure 45: Annual revenue growth of Gymshark Ltd (%), 2019-2022



Source: RetailX, drawing on data from Company DB © RetailX 2023

to customers online in 180 countries via websites in 13 languages. Revenues rocketed by nearly 200% during the lockdowns of 2020, with the company becoming one of a handful of athleisure brands to become *de rigueur* as ‘zoomwear’. While this growth has since slowed, the company still occupies a lofty position as one of the sector’s premium fitness apparel brands (Figure 45).

Web traffic globally has also maintained strong growth beyond the lockdown, with clicks growing around 10% each year in both 2021 and 2022 – testament to the brand’s continued pulling power (Figure 46).

The company was one of the first to make use of social media and influencer marketing, with early forays on Facebook followed up by partnerships with YouTube body-building influencers Nikki Blackletter

Figure 46: Annual growth of web traffic to Gymshark (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

and Lex Griffin. The company continues to use influencers, with some 125 currently on its books. It now has 5.5mn followers on Instagram.

Interestingly for a company originally set up to target men, by 2020, men made up only one-third of its customer base – a fact attributed to the success of its influencer marketing programme.

The company, which has never relied on physical sales, opened one permanent store on London’s Regents Street in 2022, with a view to it being more than just a traditional shop, instead combining body conditioning with retail and community, according to Gymshark founder Francis.

And former pizza delivery boy Francis? He is, as of 2023, the UK’s youngest billionaire.



Intersport at a glance

Company: Intersport
HQ: Bern, Switzerland
Founded: 1968
Employees: 9,500
Revenues 2022: \$15.06bn
Sports segments: Sports apparel, footwear, accessories, athleisurewear and non-sport clothing
Brands: Exclusive partnerships with Engertics, McKinley, Nakamura, Firefly and Protouch. Also sells 57 leading sports brands, including Adidas, Asics, Arena, Merrell, Hummel, Puma, Oakley, Reef, Sketchers, Salomon, Under Armour, Vans and Wilson

Intersport, a leading European sports goods retailer, was born out of a merger of four independent sports retailers in Germany, France, Belgium and the Netherlands. It has since become one of Europe's, if not the world's, leading large multi-sport retailers.

It sells a full range of sports apparel, footwear and equipment from many leading sports brands such as Adidas, Asics, Nike and New Balance. It has also forged a range of exclusive partnerships with some other high-value (though less well known) brands, such as Engertics, McKinley, Nakamura and Firefly, to cover a range of sports, athleisurewear and outdoor pursuits.

The company operates 5,800 stores in 43 countries worldwide, the majority of them located in Europe. It also has almost 500 stores in Canada.

In France, Intersport International is present

Figure 47: Annual revenue growth of Intersport (%), 2019-2022



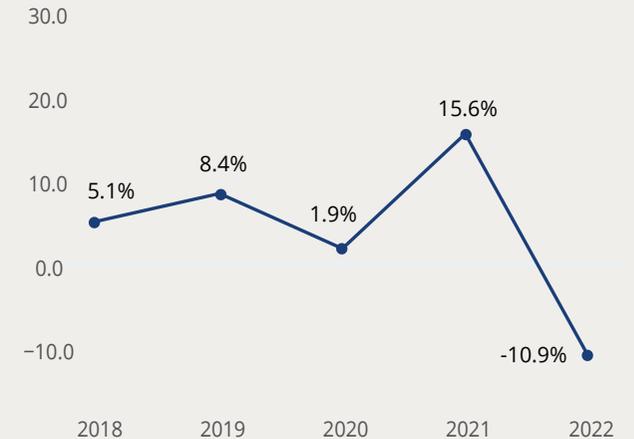
Source: RetailX, drawing on data from CompanyDB © RetailX 2023

as a cooperative of about 750 stores that employ more than 10,000 people. The group, which has just started advertising on French TV again, is the leader for sport apparel sales in the country in terms of market share.

This dominant position in France, along with growing reach in other markets, saw revenues climb strongly in 2020 and remain reasonably level across 2021. The cost of living crisis ushered in on high energy prices has had a dampening affect in 2022, with revenues dropping 6% (Figure 47). The retailer, being one of the largest single sports outlets in Europe, has been particularly vulnerable to Europe's exposure to rising energy prices as the continent has turned away from Russian gas.

This could continue to impact the group in 2023, with prices of goods, raw materials, utilities and

Figure 48: Annual growth of web traffic to Intersport (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

operations all rising. Consumers in the region are also likely to continue to watch what they spend as inflation continues to run hot.

That aside, the company is slowly becoming a powerhouse of online sports, selling in both Europe and Canada and with traffic growing strongly across 2019 to 2021 (Figure 48). This does not include click-and-collect or ship-from-store revenues, which have also increased markedly during and post-pandemic.

Another strong point for the company is that, as a retailer, it is marked out by having a loyal customer base. A survey in 2020 found that of all the shoppers that had made an online purchase from Intersport, two-thirds of them returned to make another purchase. In Germany, it is the 80th most visited ecommerce site and is a brand that is well known to 85% of consumers in the country.

MYPROTEIN

MyProtein at a glance

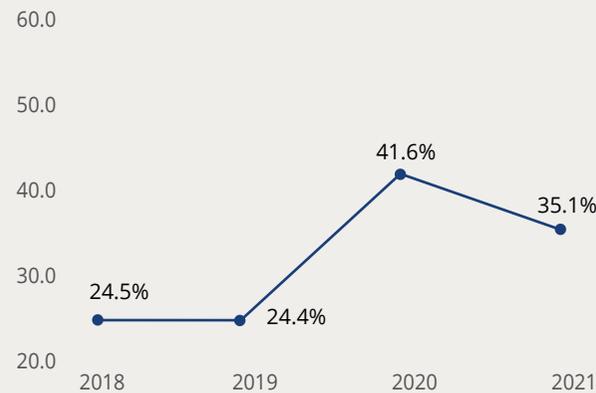
Company: MyProtein
HQ: Northwich, UK
Founded: 2004
Employees: 258
Revenues 2022: \$149.2mn
Sports segments: Sports vitamins, minerals, proteins and sports apparel
Brands: Myvitamins, Myvegan, MyPRO and MP Activewear.

Owned by the Hut Group of ecommerce companies, MyProtein offers a range of sports vitamins and minerals, protein shakes, powders and snacks – along with its own limited range of apparel – targeted primarily at body builders. Post-pandemic, it has also seen an increasing uptake within the general sporting market as more consumers turn to health and fitness.

As a result, the company has seen its own performance enhanced. Revenues have grown considerably across 2018 to 2021, with 2022 seeing this relatively tiny company bringing in almost \$150mn (Figure 49). Its web traffic has seen a less stellar performance, shrinking – albeit by less and less each year – since 2020 (Figure 50).

This is set against a backdrop where the sports protein supplement market worldwide is booming, with CAGR globally predicted to be

Figure 49: Annual revenue growth of THG PLC (%), 2018-2021



THG PLC is the owner of MyProtein
Source: RetailX, drawing on data from THG annual reports

© RetailX 2023

nearly 8% between now and 2030. Increasing levels of sports among younger consumers is driving the market, with many teenage boys now looking to develop ‘gym bodies’ and using these supplements to help.

However, rising energy costs worldwide have seen the price of protein production also rise, which in turn will likely impact not only MyProtein’s overall financial performance and growth but also that of the whole sports supplement industry.

These rising costs of production are not the only headwind for MyProtein. With such strong growth in uptake of these products predicted across such a long period of time, the segment of the market is set to become increasingly competitive, with a number of larger firms seeking to dominate.

Figure 50: Annual growth of web traffic to MyProtein (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
Source: RetailX, drawing on data from SimilarWeb

© RetailX 2023

While MyProtein is owned by the billion-dollar ecommerce giant the Hut Group – which can lend some marketing clout and commoditisation of technology – MyProtein has not always had such an easy relationship with its parent company.

In 2014, The Hut Group sued MyProtein founder Oliver Cookson for £15mn, alleging that he and his off-shore trust had overstated the profits of MyProtein prior to the Hut Group’s acquisition 2011. Cookson counter-sued for £12.7mn, claiming a breach of warranty and fraudulent misrepresentation. The matter went to the High Court in London in October 2014 and, after a month-long trial, judgement was given by William Blair in November 2014, awarding Cookson an overall net result win of £6.5mn in damages.



New Balance at a glance

Company: New Balance
HQ: Boston, USA
Founded: 1906
Employees: 8,000+
Revenues 2022: \$5.3bn
Sports segments: Sports apparel, footwear (fashion and specialist), accessories
Brands: New Balance, Aravon, Cobb Hill, Dunham and Rockport

One of the pre-eminent sports brands, particularly in footwear, owes its existence to chicken feet. Founder William J Riley observed how chickens balance on their three-pronged feet and created a three-way arch support for insertion into shoes. He called the company The New Balance Arch Support Company and the journey to sports immortality began.

On selling the company to his daughter in 1956, the business became the first sportswear company to offer running shoes in varying width fittings with the launch of its Trackster shoe.

Growing across the decades by expanding its range, internationalising its reach and acquiring a number of other brands – most notably Rockport – New Balance entered the lucrative

Figure 51: Annual revenue growth of New Balance Athletic Shoe Inc (%), 2018-2021

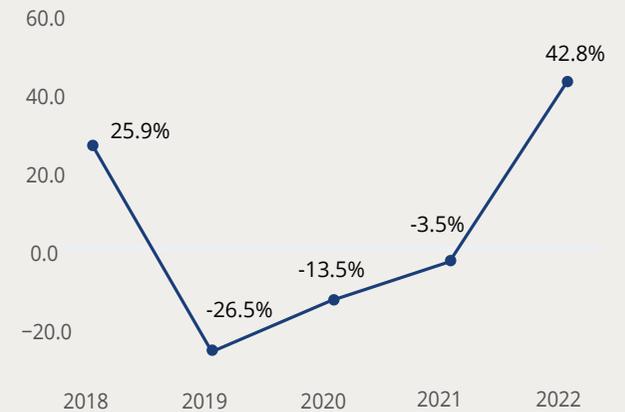


Source: RetailX, drawing on data from Company DB © RetailX 2023

football boots market in 2015 as part of a major push into new sports areas. To create buzz around this major expansion, the company undertook a \$40mn sponsorship deal of Liverpool FC, which has one of the most international reaches of any of the UK’s Premier League football teams.

Today, New Balance turns over more than \$5bn globally, with sales growing by 33% in 2021 alone (Figure 51). The brand has also made significant inroads into selling direct to consumer, with traffic growth showing that, during the lockdown in 2020, it lagged behind other brands that had capitalised on ecommerce. However, by 2022, its D2C site saw traffic growing by 43% (Figure 52).

Figure 52: Annual growth of web traffic to New Balance (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

New Balance also carries out most of its manufacturing in the US. The company makes some 5mn shoes in factories in Boston and Lawrence, Massachusetts, as well as at its Norwalk site in Skowhegan, Maine.

Its commitment to domestic manufacturing moves down the supply chain, purchasing supplies from domestic vendors whenever possible, with those suppliers employing 7,000 US workers. New Balance itself employs 8,000 people, 1,600 of which work in its New England sneaker factories. To cap it off, its new headquarters in Boston is shaped like a chicken’s foot.



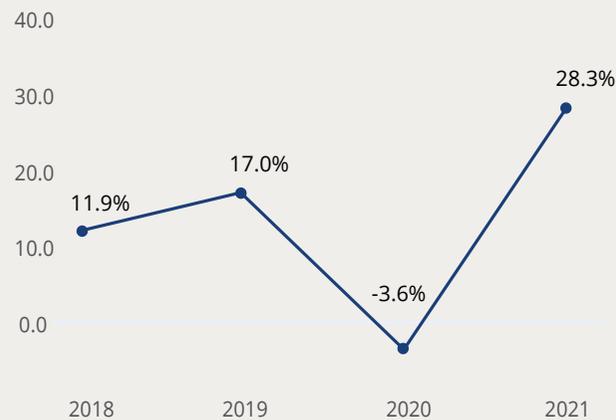
Puma at a glance

Company: Puma
HQ: Herzogenaurach, Germany
Founded: 1948
Employees: 18,000+
Revenues 2022: \$9.2bn
Sports segments: Sports apparel, footwear, accessories, equipment
Brands: Puma, Cobra Golf and Tretor

Puma, the third-largest sportswear manufacturer in the world, was set up by the brother of the founder of Adidas. In 1924, Rudolf and his brother Adolf 'Adi' Dassler had jointly formed the company Gebrüder Dassler Schuhfabrik ('Dassler Brothers Shoe Factory'). The relationship between the two brothers deteriorated until they agreed to split in 1948, forming two separate entities, Adidas and Puma.

Somewhat in the shadow of the better known Adidas, Puma has some notable chapters in its long history. It was the first shoe company to use rubber vulcanisation to bond the sole and body of its shoes. Legendary footballer Pelé won two football World Cups wearing Puma boots. Usain Bolt was also wearing Puma running shoes when he set world records in the 100m, the 200m and the 4 x 100m relay at the Beijing Olympics.

Figure 53: Annual revenue growth of Puma (%), 2018-2021



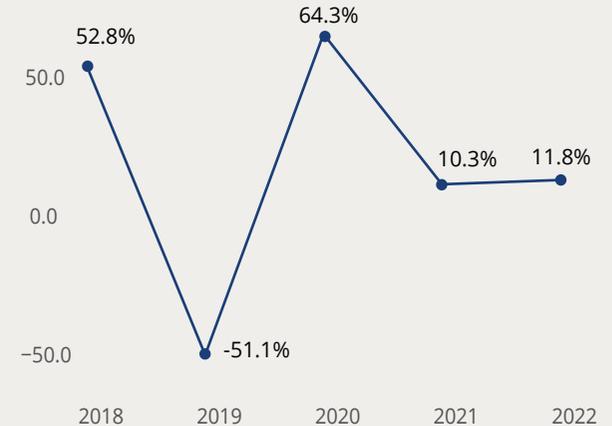
Source: RetailX, drawing on data from Company DB © RetailX 2023

Puma's sales have rocketed across the past few years, with growth in 2021 and 2022 in double digits (Figure 53) and traffic to its sites growing dramatically in 2020, 2021 and 2022 (Figure 54). Sales in 2021 were the highest in Puma's history, driven by growth across all regions but particularly in the US.

This was a result of concerted marketing to generate brand heat around athletes and sports people winning in Puma kit at the delayed Olympics and UEFA European football championships. Developing new products, especially for women, has also helped drive up sales at the company.

While these success have carried over internationally, Puma is also set to focus more on local relevance,

Figure 54: Annual growth of web traffic to Puma (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

taking more of an active brand role in Handball in Europe, Australian rules football in Australia and in cricket across Asia, the UK and Oceania. The company is currently using Nigerian singer Davido as a brand ambassador to grow sales in sub-Saharan Africa.

Puma has pledged to make 90% of its products from more sustainable materials by 2025, kicking things off with a new shoebox design launched in 2021 that will save 2,800 tonnes of cardboard annually. The company is driving the industry initiative 'Fashion Charter for Climate Action' by committing to help limit the global temperature rise to 1.5°C above pre-industrial levels.



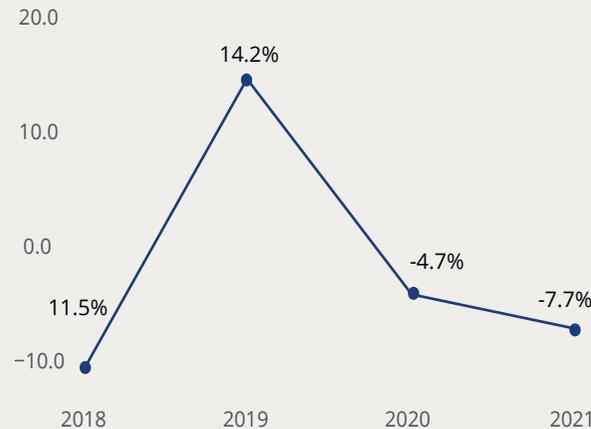
The North Face at a glance

Company: The North Face
HQ: Denver, Colorado, USA
Founded: 1966
Employees: 10,000+
Revenues 2022: \$11.8bn
Sports segments: outdoor clothing, footwear and related equipment
Brands: The North Face. Parent company VF Holdings also owns Altra Running, AND1 Lab, Dickies, Eastpak, JanSport, Icebreaker, Kipling, Napapijri, SmartWool, Supreme, Timberland and Vans

The North Face’s logo is a representation of Half Dome, a distinctive 8,700-foot rock formation within Yosemite National Park. This is a nod to the company’s origins in San Francisco, when it originally supplied climbers visiting the park. It has since grown from a niche outdoor pursuits brand to one of the hottest ‘street culture’ fashion brands out there. As such, it is the epitome of how the line between sportswear brands and fashion brands has become blurred in recent times.

While The North Face shop in San Francisco played host to a concert by The Grateful Dead in the 1960s, it was rappers and MCs in the 1990s who made The North Face a desirable brand by wearing the company’s down-filled puffer jackets.

Figure 55: Annual revenue growth of The North Face (%), 2018-2021



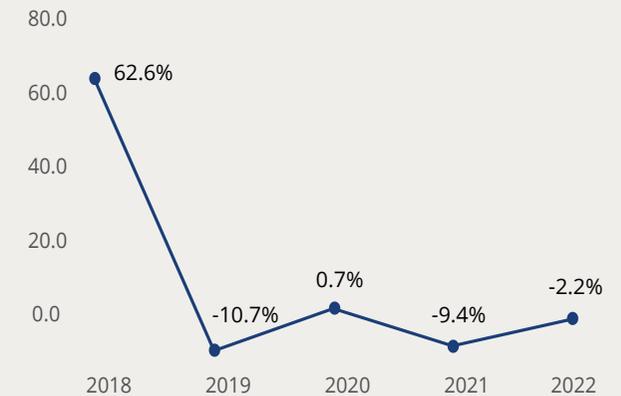
Source: RetailX, drawing on data from Company DB © RetailX 2023

The peak of its recent powers was seen in 2019, with revenues growing by as much as 15% year-on-year (Figure 55). While subsequent years have seen lower growth, The North Face is still the bumper provider for parent company VF. Web traffic has also been volatile, reflecting how these high-end items are typically bought in person rather than D2C (Figure 56).

Supply chain issues across Asia as a hangover from the pandemic have slowed manufacturing and hit sales for the brand. The lockdown in China that went on long into 2023 has also hit sales, with this key market slowing considerably for the company.

However, The North Face is bullish about its performance. Tight control of costs and supply chains

Figure 56: Annual growth of web traffic to The North Face (%), 2018-2022



Note: Web traffic starts being recorded on the 1st of August of each year and runs until the start of the next recording period
 Source: RetailX, drawing on data from SimilarWeb © RetailX 2023

are set to ease revenue worries, while continued investment in technology and R&D for its outdoor wear lines will likely lift the company in 2023.

The brand is often overlooked as a serious outdoor wear supplier thanks to the fashion noise. In reality, it has a number of key innovations that have seen it become the outerwear of choice for numerous adventurers and scientists in some of the coldest and remotest parts of the world.

For example, the company is credited with inventing two game-changing product lines, including Thermoball, a synthetic insulation mimicking the capability of down.



Adidas sprints into the metaverse

Adidas may already be one of the pioneers of the modern age of sportswear as fashion but it hasn't rested on its laurels, also becoming one of the first leading sports brands to embrace the metaverse.

The brand started experimenting with the metaverse with a launch in 2021, aptly titled 'Into the metaverse', which was a collection of clothing and footwear that was both physical and digital. Working with Bored Ape Yacht Club – a NFT collection of randomly generated cartoon apes backed by the Ethereum blockchain – the sportswear maker teamed up with crypto investor gmoney (Gary Euton to his mum) and Punks Comic, to launched a collection of virtual wearables for The Sandbox, along with physical clothing to match. The offer was, however, only open to those that were 'members' of Punks Comic and gmoney.

This approach was used to test out how a physical and digital launch might look before it was rolled-out to the mass market. It has now done just that.

Adidas sees its role in the emerging metaverse as being one that offers a "community-based, member-



©adidas

Adidas has become an early player in the nascent sports goods market on NFTs within the metaverse

first, open metaverse strategy". By which it seems to mean that it is offering small collections of NFT-backed wearables to members of its Adidas Originals club which can be used across a range of metaverse sites.

Vice President of the Adidas Three Stripes Studio, Erika Wykes-Sneyd, explains further: "We're laying down a marker in this new age of originality – one that unquestionably serves the community, heroes the purveyors and collectors of emerging style and culture, benefits the value creators, and supports the diversity of expression and utility that blurring virtual worlds has allowed us all to explore." Wykes-Sneyd adds that Adidas plans to "explore every viable utility, platform and experience within Web3 to unlock new possibilities for our wearables, with a focus on tangible value and immutable utility for our community members."

What does this mean in real terms? In essence, Adidas is testing the water alongside Nike, creating a club around its Into the metaverse (ITM) programme, members of which get access to limited edition NFTs. This deal is further sweetened by exclusive real-world wear including the iconic adicolor Firebird tracksuit, a PUNKS Comic graphic hoodie and gmoney's classic orange beanie.

The first phase of its ITM roadmap is aimed at getting ITM NFT holders to connect their wallets to the ITM website and order one piece of physical product per NFT held in that wallet. When they do, they 'burn' their ITM phase 1 NFT but, along with the physical goods, get a Phase 2 token. While there are set to be four phases to the roll-out, what phase 2 looks like was not known at the time of writing.

Adidas has also started working with luxury brands Prada to create a similar programme of NFT and physical apparel in the {ADIDAS : PRADA, RE-SOURCE} offering.

Much like Nike, Adidas is looking at using the metaverse to sell things. Its low-key, member-only approach is aimed squarely at the early adopters and metaverse cognoscenti. However, its linking of NFTs and physical limited edition goods marks out a potential path to use the metaverse to market and sell real-world goods. This, in turn, could point to an ROI strategy for brands looking to use the metaverse in its early stages.

DECATHLON

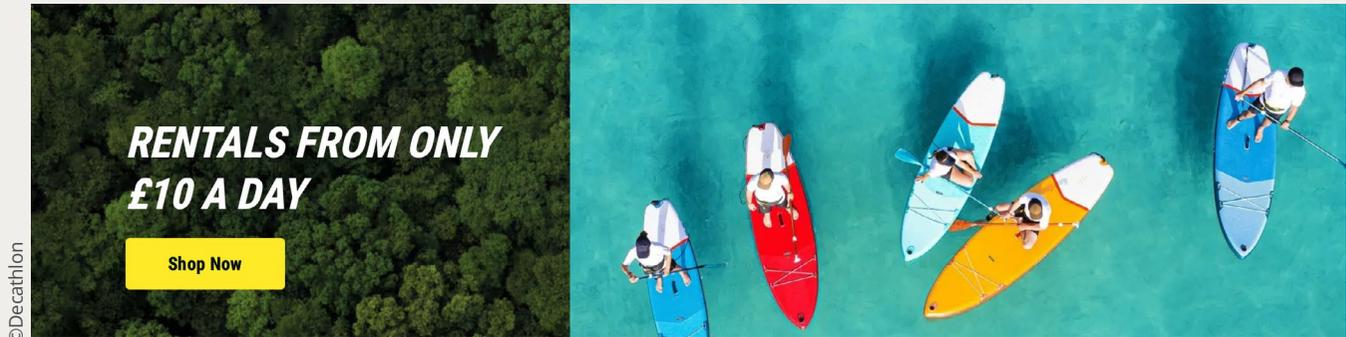
Decathlon turns to rentals to sustainably get people into sport

Leading outdoor sports and activities retailer Decathlon covers many of the bases in sports and outdoor activities, offering everything from camping equipment through to walking and climbing gear, cycling and much more.

Founded in Lille, France in 1976, the firm sells across channels in the UK, including through 49 shops, a website and a mobile app. It is ranked Top150 in RetailX's UK Top500 research. Despite economic headwinds that have buffeted retailers for the past 12 months, the company has seen turnover rise by 12% to €15.4bn.

To maintain growth, Decathlon has hit upon a novel idea that plays to both consumers tightened purse strings and their interest in sustainability. With more people than ever looking to take up sports, but with the cost of living making it perhaps seem too costly, the retailer has introduced a sustainable way for customers to try before they buy.

As of 2023, it is launching a rental service for large sports equipment such as kayaks, paddle boards



©Decathlon
Decathlon sees growth in renting high-value sports kit to both save the environment and to help consumers discover their passions

and e-bikes in a move it says will make sports more accessible and equipment use more sustainable.

The company, which has committed more than \$1mn of stock to the scheme, is aiming to make getting into sports less of a commitment by allowing people to try out new things. If they like the experience, they will shop with Decathlon. If not, then it's one less paddleboard stuck in the back of the garage.

The sports equipment retailer initially launched the service at four branches – London's Surrey Quays, Southampton, Poole and Glasgow Braehead. It has subsequently been rolled out across the company, such was the success of the trial.

Rentals are charged by 24-hour days. For example, the first 24-hour hire of a kayak costs £30, the second day £15 and subsequent days £10.

Sharon Poulter, rental lead for Decathlon, says: "This is a really exciting development in our work to become a more sustainable business, all the while boosting the accessibility of sports.

"Our mission is to make sports more accessible to the many, and offering rental services is definitely the most environmentally friendly way to do so. All of our rental products are refurbished or 'like new', creating a genuinely circular economy.

"As part of the service, we will be providing package deals, so that customers can rent everything they need for a weekend full of adventure, including e-bike and SUP or kayak combinations, at a reduced price. I look forward to growing this proposition, giving more and more people the opportunity to explore new sports."

Decathlon sustainability leader Chris Allen adds: "Despite having the appetite to try sports, committing to the cost of buying gear is one of the biggest barriers to people taking up something new.

"Rentals gives customers across the UK the opportunity to overcome this challenge by discovering the joy of different activities at an affordable price and in a sustainable way."

SPORTSHOES.COM

How SportsShoes.com offsets 40 years of carbon

In order to produce a lot of specialist items, the sports goods industry uses a lot of specialist materials. Yet it's also one that is seeing more emphasis from its consumers on sustainability and combining these two factors is quite a challenge. Rising to this challenge is what online running shoes, running clothing and outdoor gear retailer SportsShoes.com has pledged to do by offsetting all the carbon emissions it has generated directly since the company's founding 40 years ago.

The move coincides with the retailer celebrating its 40th anniversary and supports a previously stated commitment of becoming the world's most sustainable running equipment retailer by 2025.

SportsShoes.com offers customers more than 17,000 products from 150 global running and outdoor brands. From a running perspective, these include Asics, Nike, Adidas, Hoka and New Balance while in terms of outdoor, they include Haglöfs, Montane, Rab and Patagonia.



©SportsShoes.com

Leave no footprints: SportsShoes.com is making its operations carbon-neutral and pledging to remain so for the next 40 years and beyond

Driving SportsShoes.com's goal of achieving this ambitious pledge is its continually evolving 'Leave No Footprints' sustainability strategy. Developed in conjunction with consultancy, Ape, this involves a full-impact assessment of the business to calculate the size and composition of its carbon footprint. This will support the company in continually identifying and implementing more sustainable practices.

SportsShoes.com managing director, Brett Bannister, explains: "We were founded at a time when very few people knew what a carbon footprint was. Now that everyone does, and now that we want to be the world's most sustainable running equipment retailer, we must continuously improve every aspect of our business to achieve that goal."

Bannister continues: "We have undertaken to understand, monitor and minimise our environmental footprint, including that of our supply chain and suppliers. We are pleased by what we have achieved so far but also know there is a long way to go. We are not going to stand still and will keep up the pace on our sustainability journey for the benefit of everyone."

The effectiveness of the Leave No Footprints strategy was first felt in April 2021, when the company achieved carbon-neutral status.

The next big step in SportsShoes.com's sustainability journey was exploring carbon offsetting, starting with emissions from heating, lighting and powering the business since it was founded and the previous two years of national and international distribution activities.

To do this, the brand collaborated with Yorkshire-based woodland regenerative project 'Make it Wild', which is replanting native woodlands that are guaranteed to grow for at least 30 years.

In 2021, SportsShoes.com launched its first sustainable store. This sees the retailer working with brand partners to identify products that have a lower environmental impact. SportsShoes.com's store features apparel and footwear throughout that is environmentally conscious.

The road ahead

Where does the sports goods sector head next as consumers become more tech-orientated and look for new ways to exercise?

The perennial success of the sports goods market sector belies how dependent it is on trends. Across 2020, 2021 and 2022, the sector saw growth driven by an ever-more health conscious consumer base looking for more healthy lifestyles after the shock and awe of the pandemic. Likewise, younger generations are turning to fitness in order to, rightly or wrongly, improve their physical appearance on social media.

The sector is one that is changing rapidly in line with technology advances. Whereas a few years ago, technology in sport would have involved new materials to add better performance to sports apparel and footwear, there is now a groundswell of use of tech to improve the act of carrying out sports.

And all this is being done against a backdrop of the industry – like all others in retail – needing to be more environmentally aware. So what does the sports goods sector have to look forward to in 2023 and beyond?

CONNECTED FITNESS

Connected fitness – the inclusion of digital technology into sports, fitness and wellbeing – has



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eSports: Sports, Jim, but not as we know it – but it is going to be a large revenue generator for sports brands

grown in popularity as the tech itself has become more entrenched in daily life. Smartphone apps, smart watches and fitness trackers, along with internet-enabled fitness equipment, have increased in use by everyone from dedicated athletes through to mums doing the school run.

The connected fitness equipment market alone was valued at around \$734mn in 2022^[1], the global fitness app market a staggering \$5.87bn^[2] and the global smartwatch market is valued at more than \$33bn^[3]. Sports tech is a really big business. Leading brands such as Apple, Garmin, ClassPass and even Peloton have all seen their fortunes rise

(and some also fall) off the back of this explosion in 'digital fitness'.

The rise in use of connected fitness was initially driven by the pandemic, with locked-down gym goers looking for an at-home alternative. However, the real-time feedback, advice and enhancements that digital tech can deliver to users is increasingly seen as a given.

The sense of community and the need to share is also driving the more social media-like aspects of connected fitness, with users looking to showcase what they are doing and, more importantly, what they have achieved.

The downside is that many of these services rely on subscriptions and, as the cost-of-living crisis bites, these may well not be seen as essential by as many customers. Dropping this turns smart exercise equipment dumb, taking the shine off the process. The same can be said for requiring an internet connection to make any of this work, which could be a factor in hampering uptake outside of the developed world.

That aside, the rise of 'gamification' in connected fitness has added a whole new level to home exercising, to the point that many users still prefer an at-home, online exercise session as a more entertaining and communal exercise experience than going to the gym.

SMART FABRICS

Allied to this surge in connected fitness, the sportswear market is poised to see an explosion of new technology woven into the very fabric used to make sportswear. 'Smart fabrics' incorporating phase-changing materials, conductive polymers, electronic sensors and even communications equipment are already on the market but are set to grow rapidly in range and uptake.

These advances in material technology, manufacturing and nano-tech electronics will create a new interest in sportswear, offering performance users, in particular, clothing that can adapt to their surroundings – switching, say, from wicking to being waterproof – to clothing that can sense performance and log bio-data, to also featuring the comms equipment needed for the clothing to 'talk' to other smart devices and health and fitness apps.

It is hoped that advances in 3D printing will make the production of both the nano tech and the clothing itself easy enough for these high-tech items to be affordable to the mass market.

While the development of these new apparel and footwear items will initially impact the performance end of the market, it is likely to also translate into the fashion end.

In-built sensors, responsive clothing and, above all, incorporated communications tech are likely to pique the interest of younger fashion shoppers. The development of these new materials may also impact the fashion design market.

As a result, the smart fabrics for sports and fitness market was already worth \$680mn in 2020 but as it is expected to grow at around 25% year-on-year between now and 2026, it is set to be worth \$1.3bn by the end of 2023^[4].

VIRTUAL FITNESS

The lockdown saw most fitness classes become virtual, with instructors using the likes of Zoom to try and recreate the live experience of a scheduled workout. In tandem, the growing use of connected fitness equipment saw subscription services to virtual workouts on bikes, rowing machines and treadmills move to the next level.

Post pandemic, this trend has waned slightly, since many consumers have returned to gyms and actual classes. Yet the idea of virtual fitness hasn't gone away. Growing interest in virtual reality (VR) in gaming has spawned a raft of virtual fitness apps

that combine online workouts with gamification: think interactive shoot-'em-up games, played with your fists as a way of getting the heart pumping.

Pioneered to some degree back in the 2000s by Nintendo with its Wii Fitness and carried over into the Nintendo Switch and its assortment of interactive physical games, the move to strapping on a VR headset to exercise has become something that a growing number of at-home exercise and weight-conscious gamers are keen to do.

Apps such as FitXR combine boxing, dancing and high intensity interval training (HIIT) workouts with highly rendered, immersive gaming and workouts designed by top fitness instructors. The likes of Supernatural App and Holofit are also producing a variety of VR fitness games to life. One company, VZFit, has teamed up with Google Street View to bring 10mn miles of roads to life in a virtual cycling offering. You can now cycle across the USA from the comfort of your own exercise bike.

While not yet a totally mainstream offering – many people are still wary of VR and the cost of headsets and its allied equipment – the market for VR fitness is growing. The market for virtual fitness is tipped to be worth \$106bn by 2030, having seen a CAGR of almost 27% from the end of 2023^[5].

ESPORTS

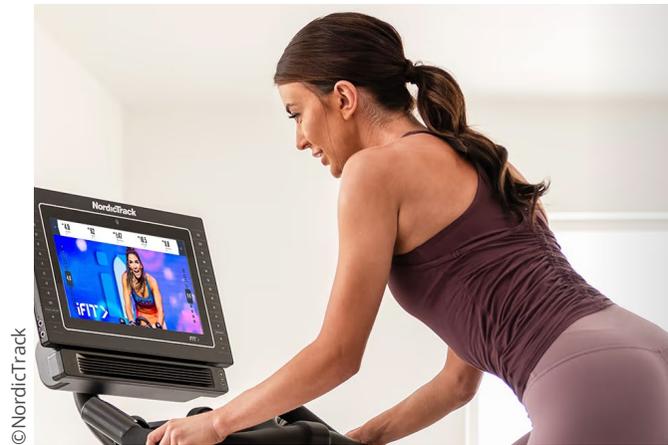
Part of the drive towards more extensive use of VR in exercise is driven by gaming and it too has its own role to play in sports. While not 'sport' in the traditional sense, eSports – the competitive interactive playing of video games – is already an enormous market and,

with many of the games being played becoming a simulacrum of actual sports, they bridge the gap.

In 2022, the global eSports market was worth around \$1.4bn^[6], driven by the social and interactive aspects of the genre attracting ever-growing numbers of users. Dedicated game-specific streaming services such as Twitch and YouTube Gaming have driven up interest and now these – along with live eSports events, where people turn up to watch competitive video gaming – are attracting considerable revenues from media rights and advertising.

And its not just confined to gaming – eSports crosses over into the world of sports. For example, England footballer Jesse Lingard has his own eSports football team – Jlingz – which competes in *FIFA* and *Rainbow Six Siege* eSports football leagues and has sponsorship deals with SportLocker, Swedish gaming peripherals manufacturer Xtrfy, as well as controller brand SCUF Gaming.

Such is the growing success of eSports playing digital versions of sports, that the mainstream sports industry has been forced to join in, producing kits, peripherals and virtual goods. Already, eSports attracts around half-a-billion viewers each year worldwide, with a fan base that is very much at the younger end of the spectrum compared to most other sports^[7]. This makes it ripe territory for sports brands to target the next generation of sports shoppers, making eSports set for even greater media and marketing investment in the years ahead.



©NordicTrack
Connected fitness: pushing through the growth barrier

THE METAVERSE

It is a short leap from eSports and virtual fitness to how sports could be one of the early beneficiaries of using the metaverse. This immersive, virtual world may well become the way we all access the internet, offering sports brands a new way to engage and surround their fans which, in turn, could become a way to sell sports goods.

For instance, sports teams or brands can create virtual stadia where fans can watch live games, interact with other fans and purchase team merchandise – both real and virtual. The metaverse creates new channels for consumers to interact with their teams, players, brands and even other fans and could bridge the gap between watching sport and taking part. Imagine playing with your Sunday league team against virtual Real Madrid, say.

The NFL, Wimbledon tennis, Nike and Dick's Sporting Goods have all launched virtual worlds on *Roblox* over the past year, where users can access digital merchandise for their avatars. Meta – formerly Facebook – also launched VR content with the NBA and NASCAR for its Quest headset. The NFL recently debuted its first VR football game on Quest and released Super Bowl-branded digital shirts and helmets with Meta.

Data shows that 81% of sports fans are familiar with the concept of the metaverse, compared to 58% of non-sports fans understanding the term. It also shows that 85% of them would be willing to pay to access exclusive metaverse content and interactions^[8].

Along with gaming in the metaverse, digital collectibles and team merchandise is a growing trend. The same research suggests that 89% of sports fans would support a store within the metaverse where they could buy items to be delivered to them in real time^[8].

RECYCLING AND REUSE

Away from the digital realm, sports faces the challenge of having to meet the growing sustainability demands of its consumers. Much like fashion, the sports goods market suffers from having to produce vast amounts of apparel and footwear in a range of sizes on a trend cycle that can often be quite wasteful. For sports, this is often compounded by having to use man-made fabrics and materials to allow sports-specific properties such as wicking and waterproofing.

While polyesters, micro-plastics and other synthetics could be replaced by a return to natural fabrics such as cotton, wool and leather, this retrograde step is not where the sports goods industry, nor its consumers, want to head.

The complexity of the materials used makes recycling back to raw materials quite tricky and, to date, recycling has been limited to only certain kinds of sports apparel made largely from natural materials of which have been made specifically to be recycled. The bulk of sportswear cannot be recycled at scale.

Instead, the industry is looking more at repair and reuse as ways to cut its environmental footprint while still giving consumers what they want. Many outdoor brands such as Mammut, Goretex, Vaude, Jack Wolfskin or Houdini offer comprehensive repair services, while Decathlon is looking at how to rent sports equipment to users.

Consumers are also embracing the second-hand apparel market, worth more than \$96bn in 2021 in the US alone^[9], which could play into the fashion apparel end of the sportswear market. The problem that the sports goods sector has with resale and reuse is that, for many dedicated athletes and exercisers, they choose specific garments that suit their specific body and activities. They also tend to keep them until they wear out. Together, this means that there is little in the way of resale value outside of the vintage fashion sneaker market – itself a growing sector and often now seen as an investment.

CONCLUSIONS

The sports goods sector is in rude health, driven by rising interest in fitness. However, it is facing a range of challenges around balancing often expensive sale price of precision goods against a growing cost-of-living crisis worldwide.

While dedicated exercisers and athletes will continue to spend on sports goods, the long tail of amateur athletes and home fitness users will start to cut their spending in the short-term. The use of tech to gamify and add other dimensions to sport and fitness could well offset a lot of this, attracting in new, younger users looking for a more playful, social and immersive experience.

The continued and growing role of sportswear in fashion will also be a continuing boon for the sector, which is one that is assured of growth even in these challenging times.

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End Matter

We hope you have found our research and analysis to be of interest and value. We would be very pleased to hear from you with questions, suggestions or comments. In particular, do let us know of any areas of research that you would like us to investigate for possible inclusion in the 2024 report.

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