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SPORTING GOODS INTELLIGENCE

News and analysis of the international market

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THE GLOBAL SPORTS GOODS MARKET FELL BY 2% IN 2009

According to the **NPD Group**, global sales of sporting goods to consumers declined by 2 percent in 2009 to $282 billion, the first annual drop since 2005, when the international market research company started tracking down the evolution of the world market. However, NPD expect the figures to rebound with a 1 percent increase for 2010, boosted by the **World Cup** and a stabilizing U.S. market.

NPD's global figures are expressed in dollars, indicating that the market performed a little better on a constant-currency basis.

The 2 percent sales drop estimated by NPD for the global market between 2008 and 2009 was fueled by declines in the U.S. (down by 4 percent) and Japan (a 5 percent decrease) that could not be offset by gains in other regions such as the Middle East, with 3 percent growth, and North Africa, rising by 5 percent.

Sports equipment sales in Europe were up by 1 percent, and footwear in Asia rose by the same amount, said NPD in its press release, without being more specific on the overall performance of the European market. NPD has already reported declines of 1.7 percent in sports shoes and 3.7 percent in sports and leisure apparel for the five major Western European countries combined *(see SGI Europe No. 23+24 of July 13)*

Offering its study to interested parties, NPD pointed out that purchases of footwear, apparel and equipment meant to be used for sports performed more strongly in Europe and Asia than in the U.S., where they fell by 4 percent. This more technical market fell by only 1 percent in Europe and grew by 1 percent in Asia. But products purchased for "sport style" were down everywhere - from the U.S. (-3%) and Europe (-3%) to Asia (-1%).

MOST BIG BRANDS SUFFERED FROM 5.4% DIP IN GLOBAL APPAREL MARKET LAST YEAR

In dollar terms, the European market for athletic apparel slipped by 5.4 percent in 2009 to $18,205 million, faring just slightly worse than the U.S., which dropped by 5.0 percent to $25,833 million. Increases were seen in the Asia-Pacific region, up by 4.7 percent to $12,936 million on the strength of local Chinese brands; and in Latin America and emerging markets, rising by 6.5 percent to $3,824 million.

Globally, the market saw a slight 2.6 percent drop to $60,798 million. It lagged the athletic footwear market, which had a 0.1 percent decline in 2009 to $33,049 million. This was chiefly the result of continued growth in China and emerging markets for

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footwear that wasn't seen as strongly in apparel. Both product categories saw wholesale shipments decline as retailers sold down existing inventories in most major markets, but it would appear that apparel inventories bore the brunt of the de-stocking.

Conducted annually by ***Sporting Goods Intelligence,*** the 2009 study of the global wholesale apparel market found declines in sales at most of the largest brands. Despite having a significant 8.5 percent decline in global apparel sales, **Adidas Group** remained No. 1 in the world rankings, comfortably ahead of **Nike**, which had a similar 8.4 percent decline in sales for the year. Both suffered share losses as they seemed to take the biggest hits. To some degree, this was a result of tough comparisons after an **Olympic** year in which they had spent heavily to boost market share. However, their market shares are somewhat better than in 2007, suggesting that even without the one-time boosts of a big event, the major brands continue to gain share.

VF Corporation remained in third place, with a decline at the Imagewear unit offsetting slight gains in Action & Outdoor. **Descente** and **Under Armour** had the best performances outside the U.S., with gains of 9.3 percent and 12.5 percent, respectively, but the biggest gains were made by the brands operating primarily in China. **Li Ning** had a 25.5 percent sales gain, **China Dongxiang** was up by 30.4 percent and **Anta** rose by 27.0 percent. Also showing very strong gains in apparel were **Xtep** (+41.2 percent) and **Peak** (+69.8 percent). Without these Chinese players, the market would have declined by 3.4 percent. They took market share from Adidas and Nike, which saw their shares in Asia decline by 2.5 percentage points and 0.9 percentage points, respectively, compared with 2008.

This annual review is based on public figures along with input from managements and estimates. *SGI* makes every effort to eliminate non-apparel sales from the figures. The majority of these sales are at wholesale value although, as with footwear, the percentage of sales done through direct retailing by brands is growing. *SGI* has chosen to determine market share by corporation in light of the fact that many major companies have a multi-brand approach to the athletic apparel market.

PUMA SETS NEW GOALS FOR 2015, MAY BE JOINED BY OTHER LIFESTYLE BRANDS

Puma's management has come up with a revised five-year strategic plan after the economic downturn slowed down the projected expansion of its sales. Running from 2011 until 2015, the new strategy was described as an extension of a previously outlined plan and therefore dubbed Phase IV Revisited: It calls for Puma to more thoroughly explore its potential to reach a consolidated annual turnover of €4 billion, compared with just under €2.5 billion last year, solely through organic growth. Sales would be higher with new acquisitions,.

The Euro

Aug. 6 rates

Czech Koruna	24.73
Danish Krone	7.452
Hungarian Forint	280.4
Norwegian Krone	7.897
Polish Zloty	3.989
Pound Sterling	0.830
Swedish Krona	9.402
Swiss Franc	1.381
U.S. Dollar	1.317
Canadian Dollar	1.337
Japanese Yen	113.3
Russian Ruble	39.33
Chinese Yuan	8.935

The management had set the €4 billion target for 2010 four years ago, raising it from the previous goal of €3.5 billion announced almost exactly five years ago under Phase IV of its redeployment program. At that time, Puma felt that it would be able to reach that level by 2010 through organic growth – partly by moving into new categories – as well as by making acquisitions. In 2005, the year before the start of Phase IV, its sales were nearly €1.8 billion.

However, the implementation of this plan has been hindered by the global economic downturn. Thus, Puma's management has mapped out a new long-term plan using some of the same ingredients as in the previous one. It comes as Puma sees the end of the slowdown, with bright prospects for the second half of this year.

Jochen Zeitz, Puma's chief executive, noted that the company has already achieved much of what it had set out to do: Its sales have grown at a compound annual rate of 9 percent in the last four years; it has bought back 12 licenses and distributors; and it has moved into five new categories – golf, two-wheeled motor sports, swimwear, sailing and denim.

Furthermore, Puma has acquired **Brandon**, a Swedish corporate merchandising firm, and **Cobra Golf**. This golf equipment brand was bought earlier this year and it was swiftly integrated with Puma's existing golf apparel and footwear activities through the launch of **Cobra Puma Golf**. The company hired more staff dedicated to golf and the joint sales force will start selling Cobra equipment and Puma Golf apparel and footwear from September. As an example of integration on the marketing side, **Johan Edfors**, who was already a Puma Golf endorsee, has started using Cobra Golf equipment.

Pending a detailed presentation of the new plan, scheduled to be hel in October at Puma's impressive new head office in Herzogenaurach, Zeitz said that it was based around a so-called TREE strategy, an acronym for:

- Transform the organization beyond the extensive changes that were already made in the last quarters, to further optimize the supply chain and invest in its sustainability;
- Reinforce the appeal of the brand, with new technical and design innovations;
- Exploit the full sales potential of the Puma brand; and
- Evolve the company's business model to increase its operational efficiency and make it a more vertical-driven company.

Separately, **PPR**, the French retail and luxury conglomerate that owns a large majority of Puma's shares, said that it wanted to invest further in the lifestyle business in the next years – through faster organic growth at Puma as well as the acquisition of other brands, which are meant to form a new lifestyle division at PPR.

The plan was unveiled by **François-Henri Pinault** as PPR published its own half-year results, just after those of Puma *(see next article)*. The group had made it clear last year that it wanted to sell its retail activities, and it has now transpired that part of the proceeds should go to the establishment of a lifestyle unit around the Puma brand – alongside the **Gucci Group**, which is PPR's luxury goods unit.

Pinault said that he wanted to buy lifestyle companies with a strong brand heritage and a global aura, which could generate synergies with Puma in terms of sourcing and, perhaps, product development. However, he emphasized that such acquisitions would be steered by PPR's own mergers and acquisitions unit, rather than by Puma, and that the acquired operations would not add to the management duties of the Puma team.

The details of the new business plan for Puma that are due to be divulged in October will particularly delve into geographic

Sporting Goods Intelligence International Sports Apparel Market

(estimates in millions of dollars at wholesale)

		2009							2008						
		U.S.		Non-U.S.		TOTAL			U.S.		Non-U.S.		TOTAL		
		Sales	Share	Sales	Share	Sales	Share	Change	Sales	Share	Sales	Share	Sales	Share	Change
1	Adidas Group	$ 1,350	5.2%	$ 5,126	14.7%	$ 6,476	10.7%	-8.5%	$ 1,510	5.6%	$ 5,569	15.8%	$ 7,079	11.3%	21.7%
	Adidas	*$ 800*	*3.1%*	*$ 4,355*	*12.5%*	*$ 5,155*	*8.5%*	*-7.2%*	*$ 850*	*3.1%*	*$ 4,704*	*13.4%*	*$ 5,554*	*8.9%*	*24.0%*
	TMaG	*$ 50*	*0.2%*	*$ 121*	*0.3%*	*$ 171*	*0.3%*	*-22.3%*	*$ 60*	*0.2%*	*$ 160*	*0.5%*	*$ 220*	*0.4%*	*-8.3%*
	Reebok	*$ 500*	*1.9%*	*$ 650*	*1.9%*	*$ 1,150*	*1.9%*	*-11.9%*	*$ 600*	*2.2%*	*$ 705*	*2.0%*	*$ 1,305*	*2.1%*	*19.2%*
2	Nike Inc. (1)	$ 2,043	7.9%	$ 3,982	11.4%	$ 6,025	9.9%	-8.4%	$ 2,183	8.0%	$ 4,396	12.5%	$ 6,579	10.5%	13.8%
	Nike	*$ 1,673*	*6.5%*	*$ 3,232*	*9.2%*	*$ 4,905*	*8.1%*	*-12.0%*	*$ 1,813*	*6.7%*	*$ 3,761*	*10.7%*	*$ 5,574*	*8.9%*	*15.9%*
	Golf/Hurley	*$ 350*	*1.4%*	*$ 270*	*0.8%*	*$ 620*	*1.0%*	*2.5%*	*$ 350*	*1.3%*	*$ 255*	*0.7%*	*$ 605*	*1.0%*	*9.0%*
	Umbro	*$ 20*	*0.1%*	*$ 480*	*1.4%*	*$ 500*	*0.8%*	*25.0%*	*$ 20*	*0.1%*	*$ 380*	*1.1%*	*$ 400*	*0.6%*	*-4.1%*
3	VF Corp. (2)	$ 1,945	7.5%	$ 763	2.2%	$ 2,708	4.5%	-5.0%	$ 2,028	7.5%	$ 822	2.3%	$ 2,850	4.6%	6.9%
4	Quiksilver (3)	$ 496	1.9%	$ 809	2.3%	$ 1,305	2.1%	-11.3%	$ 574	2.1%	$ 898	2.6%	$ 1,472	2.4%	9.0%
5	Billabong (4)	$ 550	2.1%	$ 704	2.0%	$ 1,254	2.1%	0.0%	$ 527	1.9%	$ 727	2.1%	$ 1,254	2.0%	1.2%
6	Puma	$ 112	0.4%	$ 1,073	3.1%	$ 1,185	1.9%	-2.5%	$ 134	0.5%	$ 1,082	3.1%	$ 1,216	1.9%	7.4%
7	HanesBrands (5)	$ 979	3.8%	$ 121	0.3%	$ 1,100	1.8%	-11.6%	$ 1,107	4.1%	$ 137	0.4%	$ 1,244	2.0%	-20.5%
8	Columbia	$ 565	2.2%	$ 390	1.1%	$ 955	1.6%	-7.6%	$ 570	2.1%	$ 463	1.3%	$ 1,033	1.7%	-2.8%
9	Descente	$ 9	0.0%	$ 803	2.3%	$ 812	1.3%	9.3%	$ 8	0.0%	$ 735	2.1%	$ 743	1.2%	7.2%
10	Gildan	$ 721	2.8%	$ 75	0.2%	$ 796	1.3%	-16.8%	$ 861	3.2%	$ 96	0.3%	$ 957	1.5%	-0.8%
11	Russell	$ 700	2.7%	$ 50	0.1%	$ 750	1.2%	-11.2%	$ 750	2.8%	$ 95	0.3%	$ 845	1.4%	3.0%
12	Broder Bros.	$ 705	2.7%	$ -	0.0%	$ 705	1.2%	-23.9%	$ 926	3.4%	$ -	0.0%	$ 926	1.5%	-0.3%
13	Speedo	$ 166	0.6%	$ 525	1.5%	$ 691	1.1%	0.9%	$ 165	0.6%	$ 520	1.5%	$ 685	1.1%	13.2%
14	Under Armour	$ 600	2.3%	$ 85	0.2%	$ 685	1.1%	12.5%	$ 537	2.0%	$ 72	0.2%	$ 609	1.0%	13.4%
15	Mizuno	$ 28	0.1%	$ 567	1.6%	$ 595	1.0%	3.3%	$ 29	0.1%	$ 547	1.6%	$ 576	0.9%	11.0%
16	Li Ning	$ -	0.0%	$ 575	1.6%	$ 575	0.9%	25.5%	$ -	0.0%	$ 458	1.3%	$ 458	0.7%	57.4%
17	Fila	$ 43	0.2%	$ 475	1.4%	$ 518	0.9%	0.6%	$ 25	0.1%	$ 490	1.4%	$ 515	0.8%	7.3%
18	Asics	$ 22	0.1%	$ 476	1.4%	$ 498	0.8%	10.7%	$ 20	0.1%	$ 430	1.2%	$ 450	0.7%	27.5%
19	Goldwin	$ -	0.0%	$ 444	1.3%	$ 444	0.7%	4.5%	$ -	0.0%	$ 425	1.2%	$ 425	0.7%	10.4%
20	China Dongxiang	$ -	0.0%	$ 377	1.1%	$ 377	0.6%	30.4%	$ -	0.0%	$ 289	0.8%	$ 289	0.5%	79.5%
21	Anta	$ -	0.0%	$ 353	1.0%	$ 353	0.6%	27.0%	$ -	0.0%	$ 278	0.8%	$ 278	0.4%	67.5%
22	Timberland	$ 141	0.5%	$ 189	0.5%	$ 330	0.5%	-10.8%	$ 158	0.6%	$ 212	0.6%	$ 370	0.6%	-10.2%
23	Xtep	$ -	0.0%	$ 274	0.8%	$ 274	0.5%	41.2%	$ -	0.0%	$ 194	0.6%	$ 194	0.3%	198.5%
24	Peak	$ 1	0.0%	$ 235	0.7%	$ 236	0.4%	69.8%	$ 1	0.0%	$ 138	0.4%	$ 139	0.2%	117.2%
25	Lotto	$ 32	0.1%	$ 184	0.5%	$ 216	0.4%	0.0%	$ 32	0.1%	$ 184	0.5%	$ 216	0.3%	NA
	TOP 25	$ 11,208	43.4%	$ 18,655	53.4%	$ 29,863	49.1%	-4.9%	$12,145	44.7%	$19,257	54.7%	$31,402	50.3%	11.6%
	Other Performance	$ 750	2.9%	$ 315	0.9%	$ 1,065	1.8%	-4.5%	$ 800	2.9%	$ 315	0.9%	$ 1,115	1.8%	-8.2%
	Other Bodywear	$ 625	2.4%	$ 365	1.0%	$ 990	1.6%	-3.4%	$ 650	2.4%	$ 375	1.1%	$ 1,025	1.6%	-8.9%
	Other Branded	$ 425	1.6%	$ 1,045	3.0%	$ 1,470	2.4%	-2.0%	$ 450	1.7%	$ 1,050	3.0%	$ 1,500	2.4%	-6.3%
	Other BeachSwim	$ 2,300	8.9%	$ 2,300	6.6%	$ 4,600	7.6%	-2.1%	$ 2,400	8.8%	$ 2,300	6.5%	$ 4,700	7.5%	-5.1%
	Other Ski/Outdoor	$ 950	3.7%	$ 1,625	4.6%	$ 2,575	4.2%	-1.0%	$ 1,000	3.7%	$ 1,600	4.5%	$ 2,600	4.2%	-5.5%
	Other Licensed	$ 725	2.8%	$ 675	1.9%	$ 1,400	2.3%	-3.4%	$ 800	2.9%	$ 650	1.8%	$ 1,450	2.3%	0.0%
	Other Tennis	$ 150	0.6%	$ 310	0.9%	$ 460	0.8%	2.2%	$ 150	0.6%	$ 300	0.9%	$ 450	0.7%	0.0%
	Other Fleece/Knit	$ 1,200	4.6%	$ 2,975	8.5%	$ 4,175	6.9%	-1.8%	$ 1,300	4.8%	$ 2,950	8.4%	$ 4,250	6.8%	-4.5%
	Other Activewear	$ 7,500	29.0%	$ 6,700	19.2%	$ 14,200	23.4%	2.2%	$ 7,500	27.6%	$ 6,400	18.2%	$13,900	22.3%	-4.1%
	TOTAL	$ 25,833		$ 34,965		$ 60,798		-2.6%	$27,195		$35,197		$62,392		2.9%

EXCHANGE RATES: 2009 - Euro .720/$; Japan ¥93.57/$; U.K. £.641/$; Australia A$1.282/$; China R6.831/$
2008 - Euro .684/$; Japan ¥103.4/$; U.K. £.564/$; Australia A$1.198/$; China R6.949/$

NOTES: (1) 12 months ended Nov. 30.
(2) Includes Outdoor Coalition and Imagewear sales
(3) 12 months ended Oct. 31
(4) 12 months ended Jun. 30.
(5) Includes outerwear only, no socks or underwear