

RESULTS:

WFSGI Pulse Survey- Covid-19 Impact on Sporting Goods Industry & Key Market Trends

March/April 2020



PRELIMINARY INFORMATION



- WFSGI will be conducting a confidential monthly pulse survey of sporting goods companies to obtain general information related to COVID-19's impact on their business and the steps they are taking to mitigate this. In return, the industry will get access to a monthly anonymous report with the consolidated results of this industry exercise.
- The reports will aim to: Uncover the true global impact of COVID-19 on the Industry, provide key insights on the actions of Industry leaders to manage the crisis, and track the key trends of the Sporting Goods Industry as the world progresses through the COVID-19 lockdown and the easing of restrictions into the 'new normal'. The survey is intentionally divided into specific questions for manufacturers and for brands/retailers to ensure that we are able to track trends throughout the supply chain.
- **WFSGI is pleased to share the results of the March/April edition:**



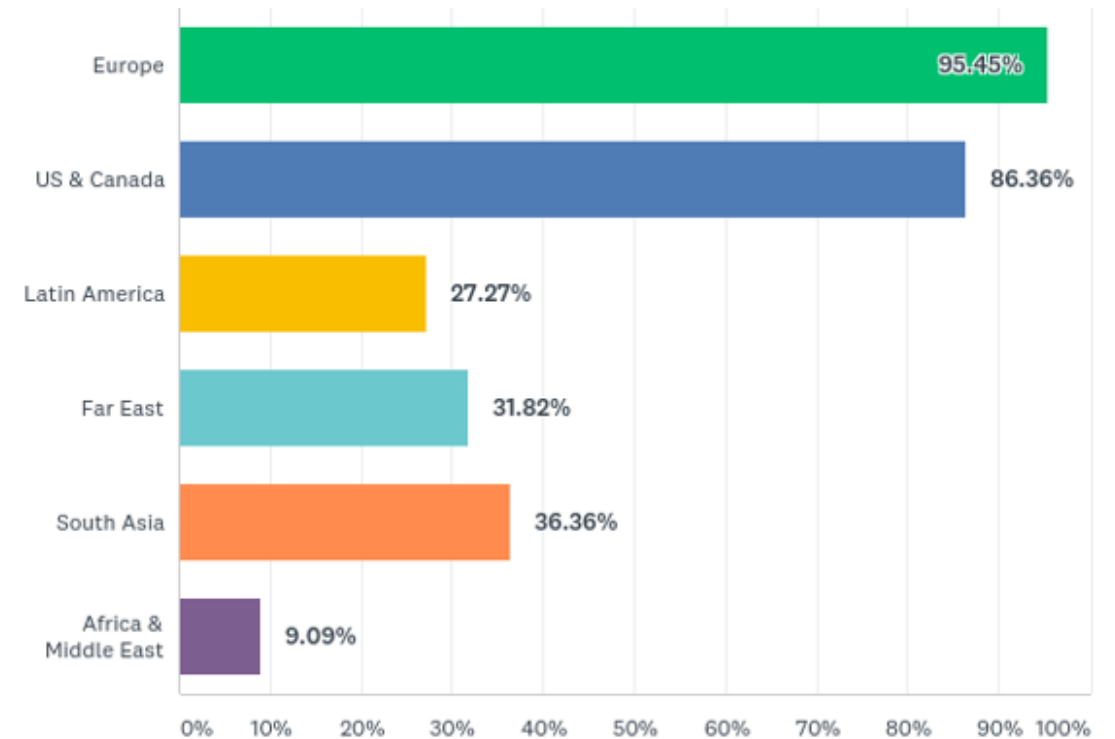
1. SPORTING GOODS MANUFACTURING COMPANIES



DEMAND: SIGNIFICANT ORDER DECREASE



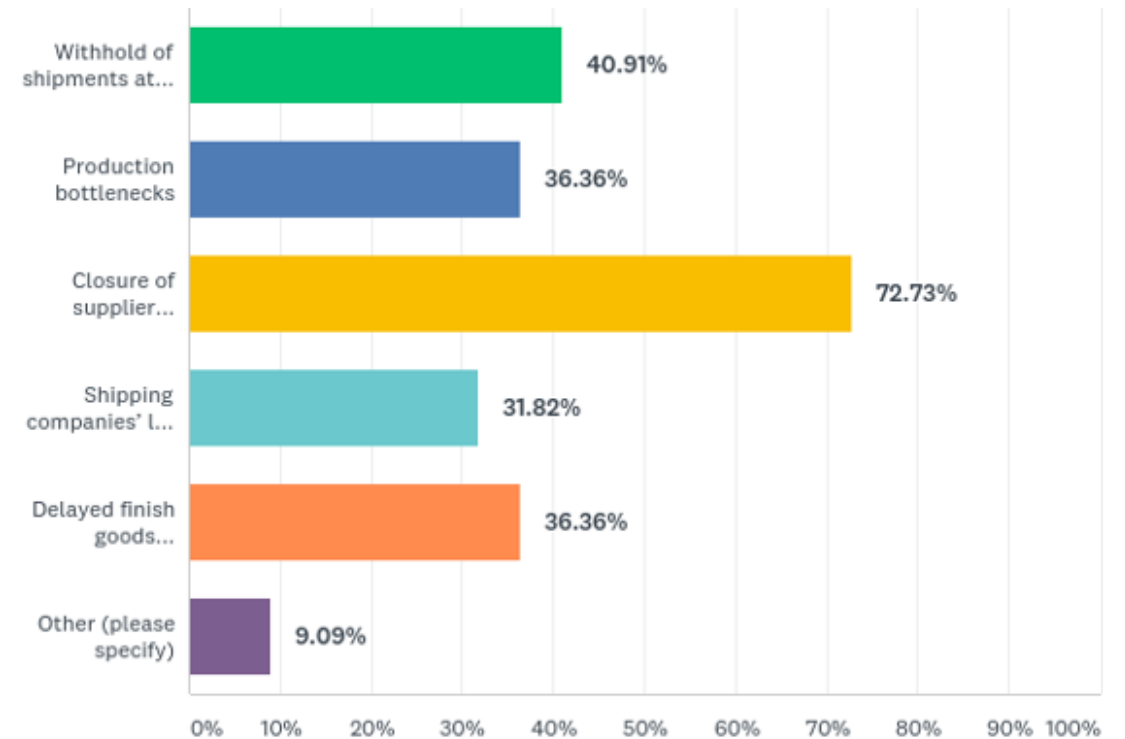
- Around 90% of respondents see decreasing orders from customers in Europe and the Northern America.
- This number is lower (around 30%) for Latin America, Far East and South Asia.



LOGISTICS: SIGNIFICANT MATERIAL SHORTAGE



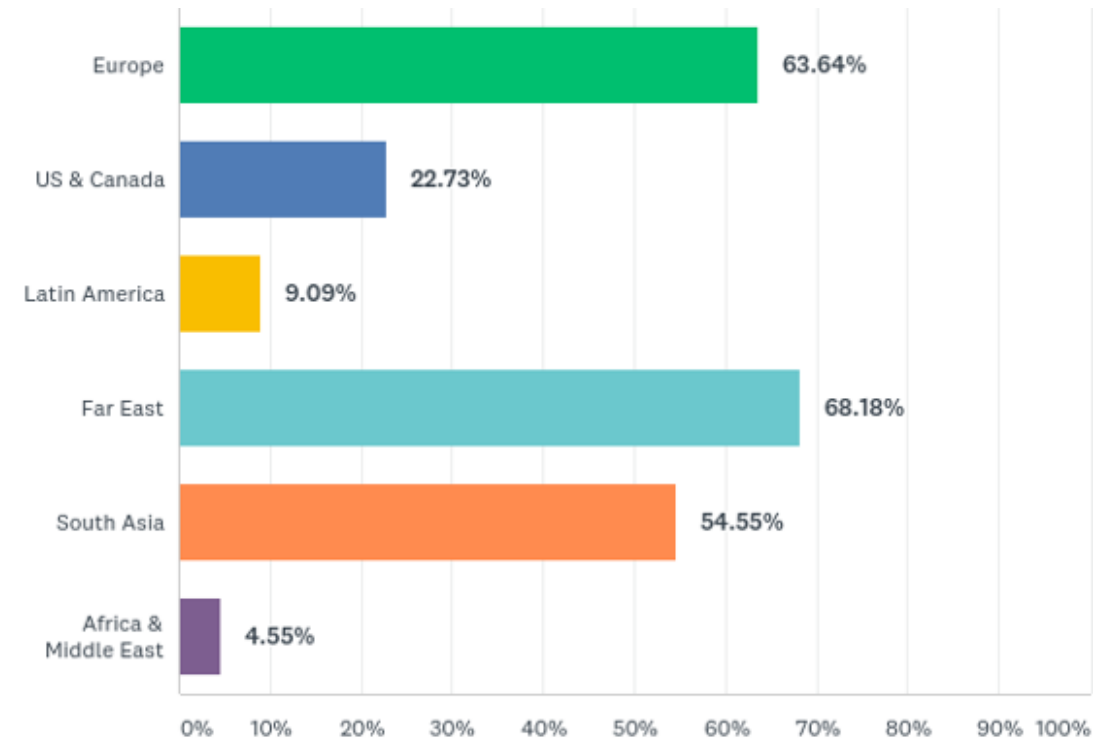
- Over 70% of respondents face material shortage due to the closure of suppliers' companies.
- Around 40% face issues due to shipments being withheld, due to specific trade restrictions or delayed finish goods transportation.
- A little over 30% have to cope with a lack of capacities of shipping companies.



SUPPLY: DISRUPTION GLOBAL SUPPLY CHAIN



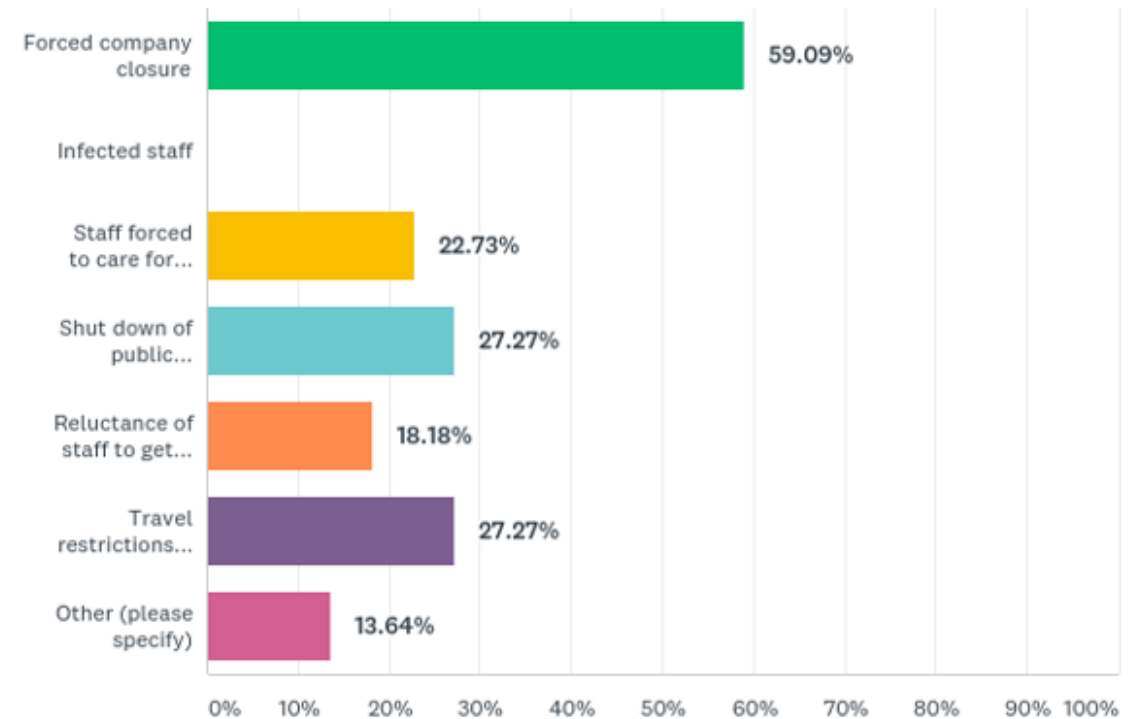
- Supply chains seem to be mostly affected in Far East (68%), followed by Europe (64%), South Asia (54%).
- Supply chains in Northern America are only affected for 22% of respondents and in Latin America less than 10% see an impact on their supply.



LABOR: SHORTAGE OF LABOR



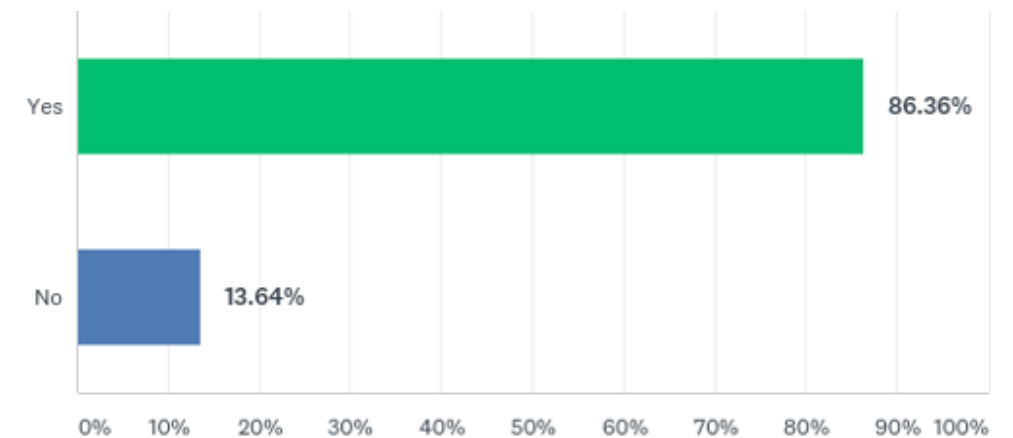
- Close to 60% see a labor shortage due to forced company closure.
- However, zero have infected staff members not showing up to work.
- A little less than 30% face labor shortage due to travel restrictions for workers and shut down of public transportation for workers.
- Around 20% have seen staff not coming to work since they have to take care of family members or are reluctant to return to work due to fear to be infected.



LEGAL: IMPACT OF COVID-19 REGULATORY MEASURES



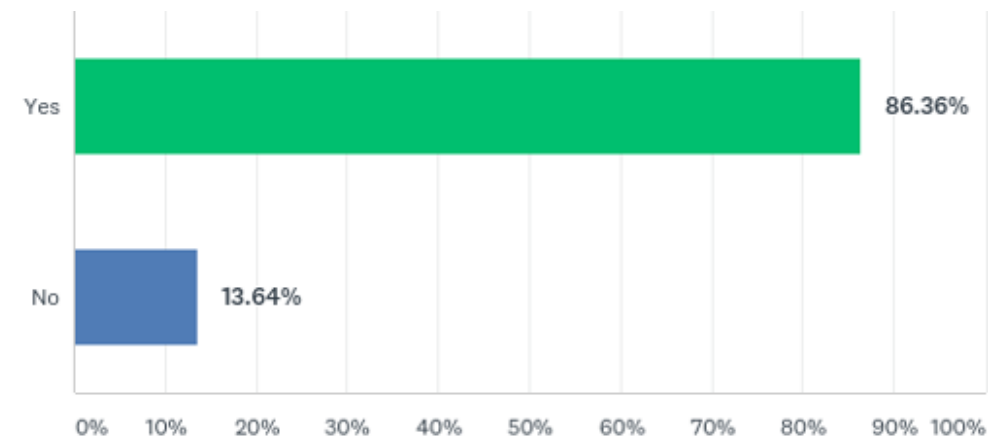
- Over 86% are impacted by specifically implemented regulations due to the COVID-19 pandemic.



FINANCE: SIGNIFICANT CASH FLOW ISSUES



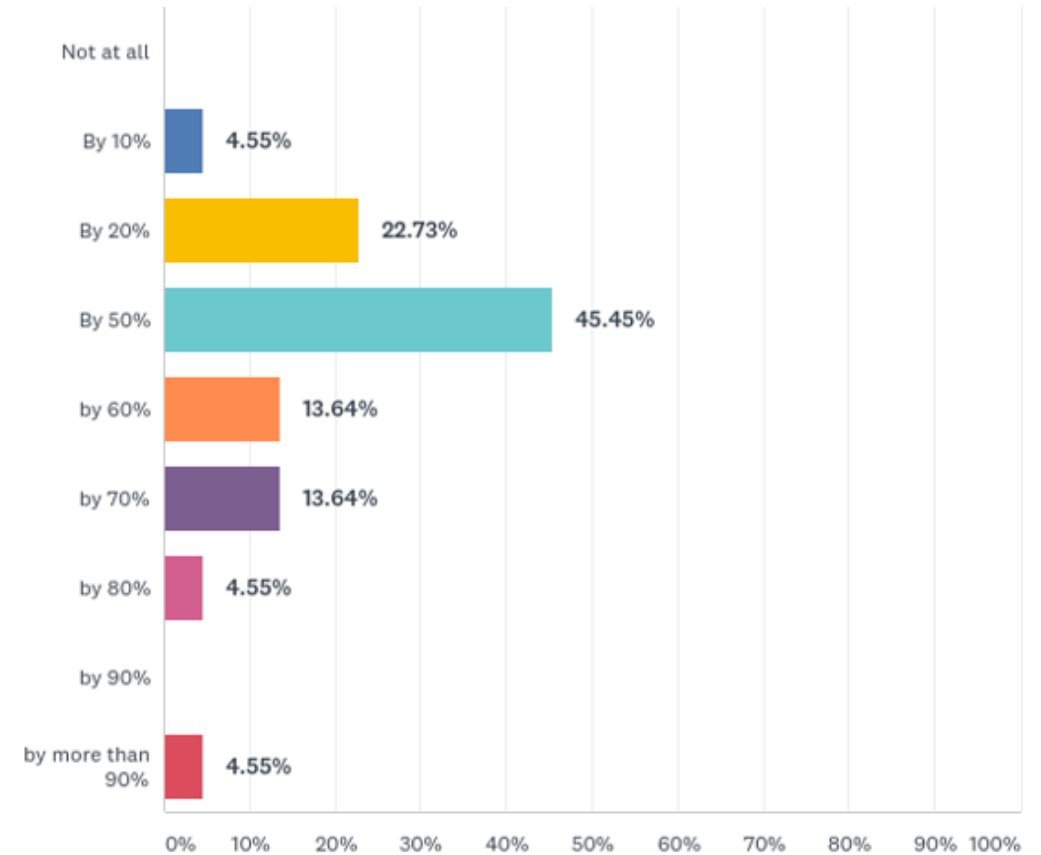
- Over 86% are challenged by low cash flow.
- This issue is caused due to extended payment terms and order cancellations, orders that are not delivered in time and since salaries are being paid in advance.
- Cash flow restrictions are also impacting on investment strategies.
- 50% of respondents said they will refrain from investments while 40% plan to invest in software and people and close to 30% plan to invest in infrastructure.



BUSINESS FORECASTING: GLOBAL SLUMP



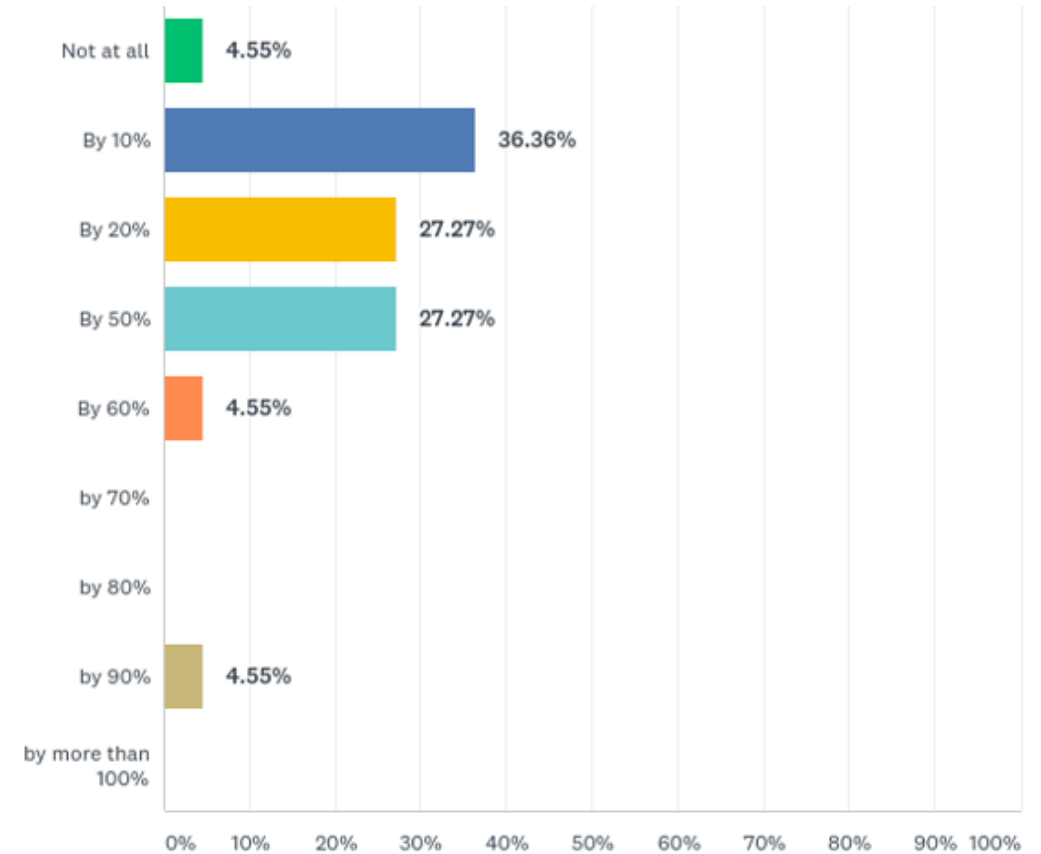
- COVID-19 is forecast to impact every respondent's business.
- Most of them, close to 50%, see their business dropping by 50% in the upcoming month. Around 15% expect even a 70% respectively 80% drop.
- The more optimistic 22% of the respondents expect a drop of maximum 20%.
- The most affected region for respondents is Europe where 95% see a drop of their business.
- In Northern America 77% expect business to decrease, while for Asia only 30% see a decrease of business followed by Latin America with only 18%.



BUSINESS FORECAST: SLOW & PARTIAL RECOVERY



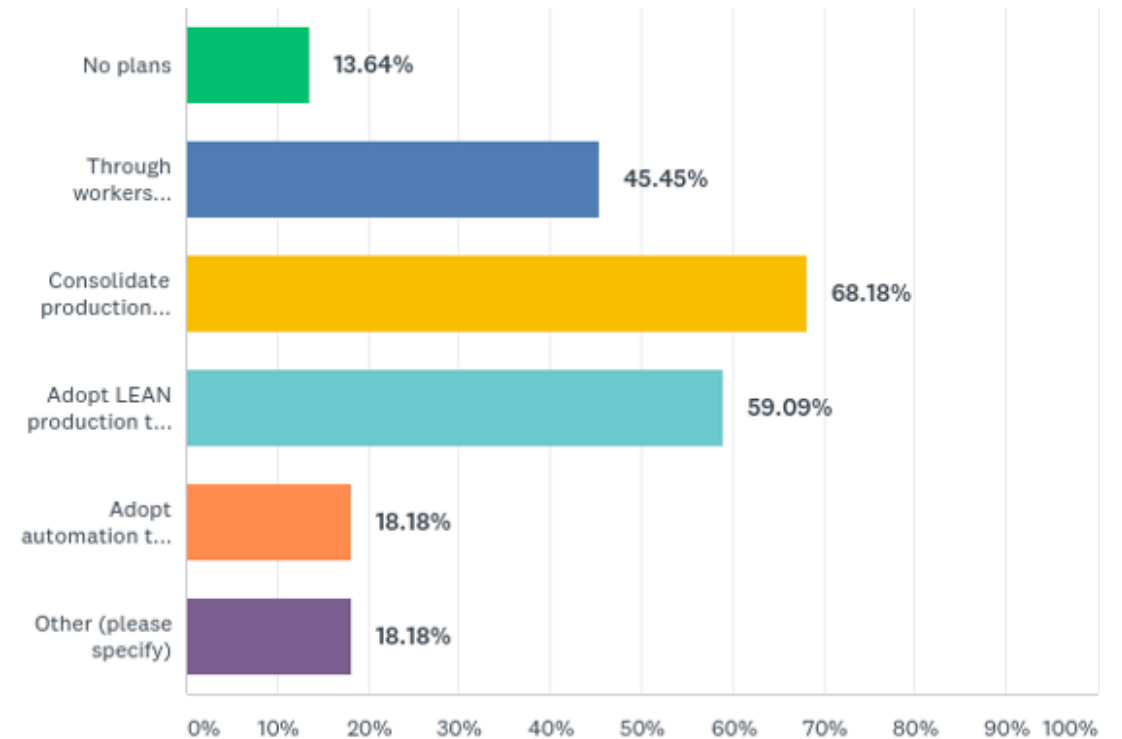
- Industry confidence regarding the future outlook and recovery is low.
- Close to 40% of respondents only expect that their business will rebound by 10%.
- Roughly 25% of respondents expect their business to recover by 20%. The same percentage however, expected their business to recover by 50%.
- Less than 5% expect their business to reach 90% of its former performance. No respondents expect to reach 100% of their initial business performance.
- Less than 30% think that they will only need 61-90 days to get back to business after the pandemic.
- A majority of 60% foresee a timeframe of 91-180 days. Close to 10% even would predict that more than a year is necessary.



MEASURES TAKEN: KEY INSIGHTS



- Close to 70% will consolidate production capacities as a response to the pandemic.
- Nearly 60% will focus on adopting lean production to eliminate waste.
- Over 45% will need to look into worker retrenchment.
- Automation is a solution for close to 20% of respondents.
- A significant proportion of respondents (14%) have no specific plans in place.





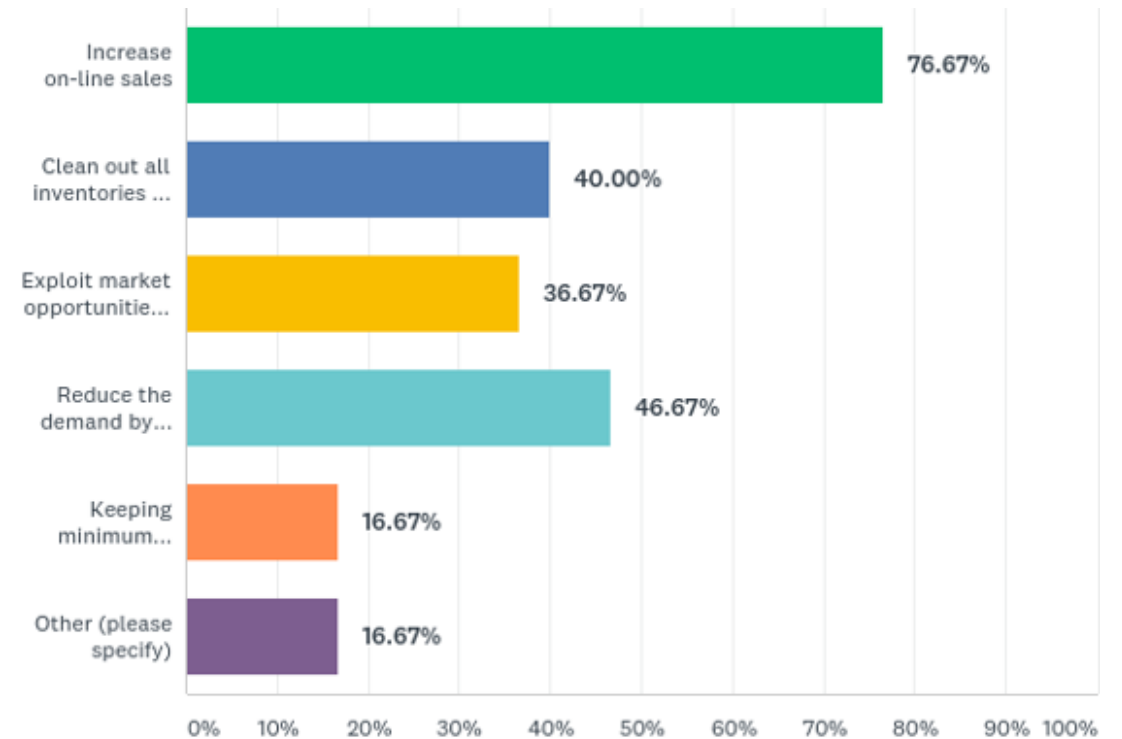
2. RESPONSES SPORTING GOOD BRANDS AND RETAILERS



MITIGATION OF IMPACT: STEPS THAT WILL BE TAKEN



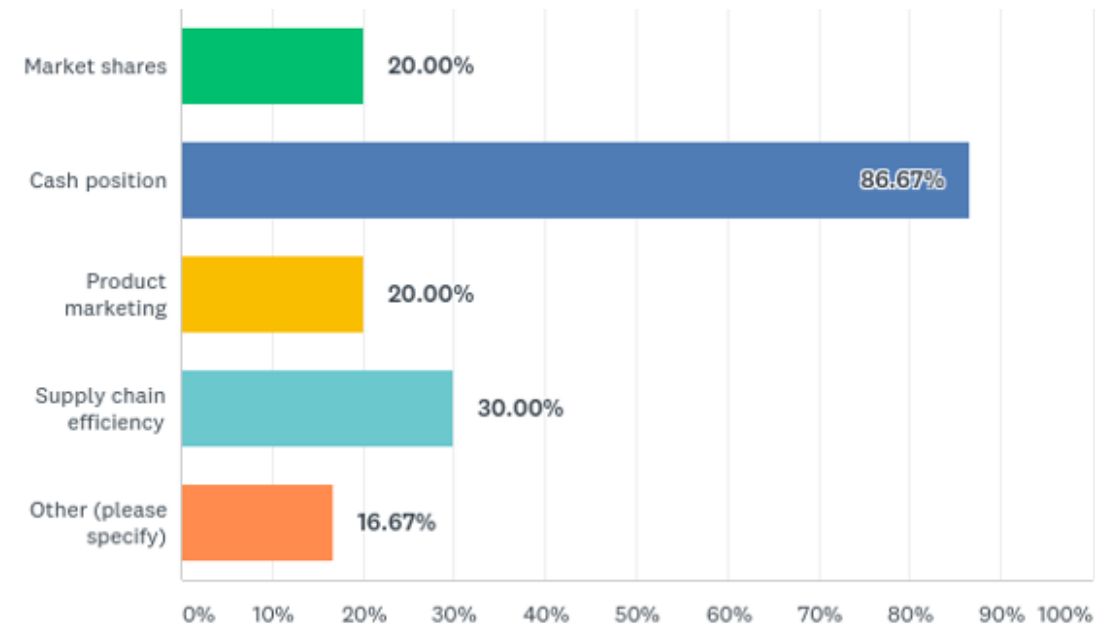
- Close to 80% want to increase their on-line sales.
- 47% will reduce their demand by cancelling orders in the following months.
- Around 40% will clean out all inventories to maintain their cash position and exploit market opportunities in the recovering Asian markets.
- This will lead for 60% of respondents to deferred payment flows.
- Over 50% would opt for sharing the pains by keeping the same supply base but provide for less business volume for each supplier.
- Still 30% are looking to consolidate the supply base and keep only strategic partners.



PRIORITIES: KEY INSIGHTS



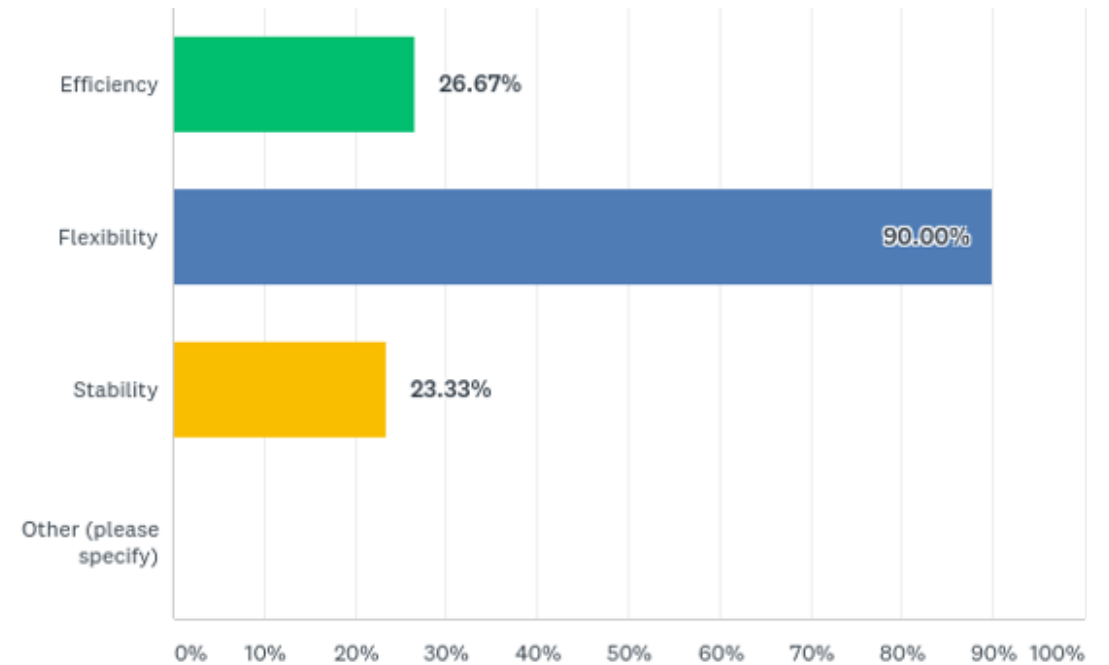
- Close to 90% will focus on cash position while 30% are increasing their supply chain efficiency.
- 20% will look in to product marketing and market shares.
- It was also mentioned that temporary unemployment for some staff supported by government payments is an option.



EXPECTATIONS TO SUPPLIERS



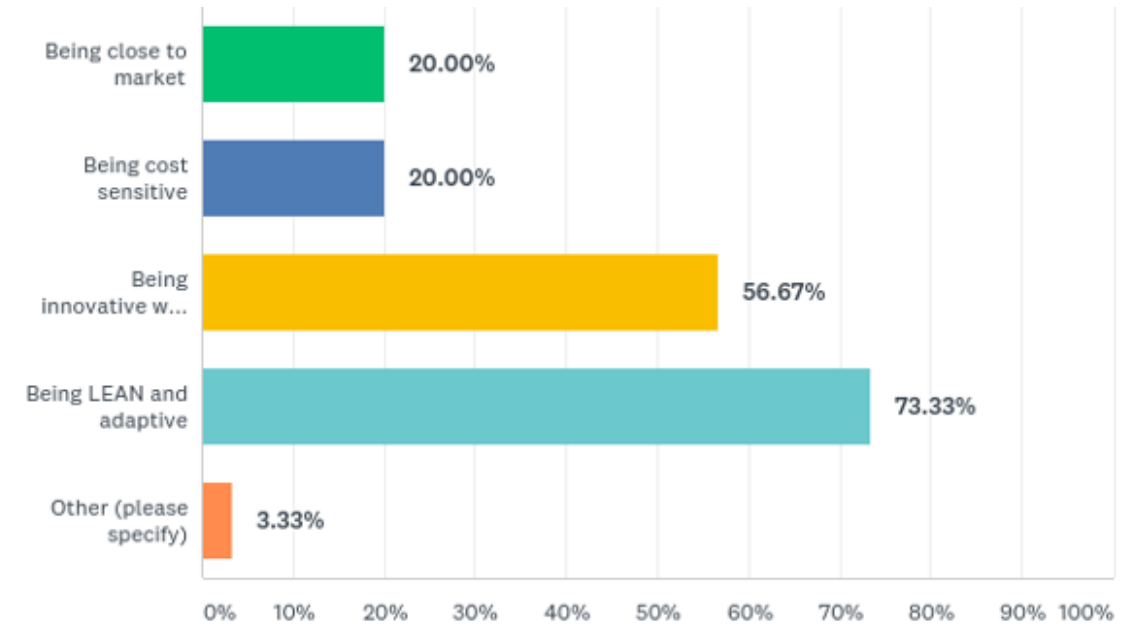
- Most respondents, 90%, are welcoming flexible suppliers while around 25% are awaiting efficiency and stability.



SUPPLY CHAIN TRANSFORMATION AFTER THE PANDAMIC



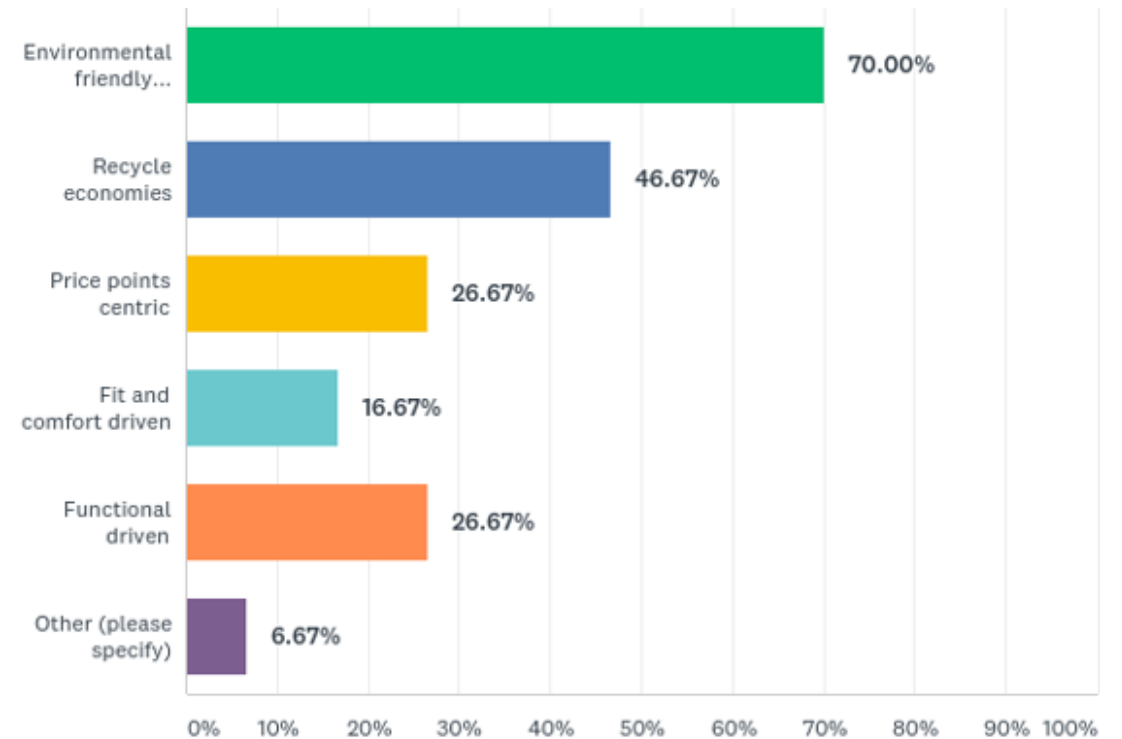
- Over 70% will work on a lean and adaptive supply chain.
- over 55% are looking for innovative ways to cope with disruption.
- 20% want to be close to market and cost sensitive.
- Still close to 40% don't want to reframe their sourcing priorities after the pandemic while 30% will look for a regional centric sourcing or global market centric sourcing.
- A little over 15% want to opt for local for local sourcing. Also, some respondents have not yet the answer to this question.



EMERGING MARKET TRENDS POST COVID-19



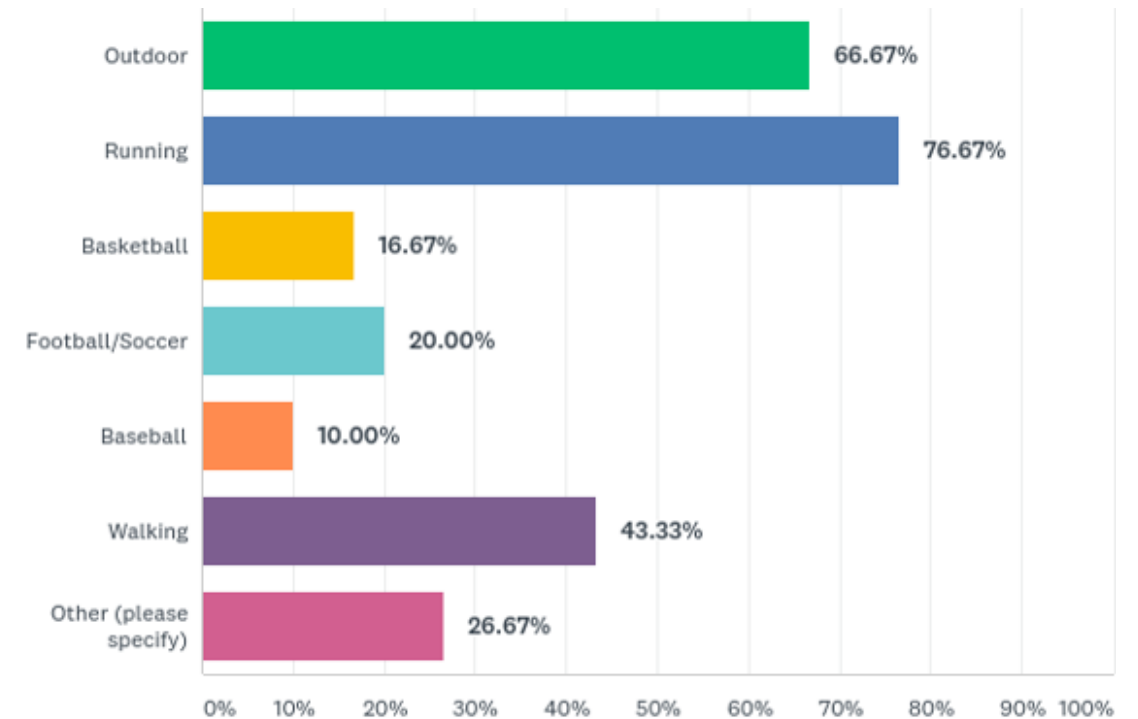
- Sustainability will remain a key industry driver post COVID-19.
- 70% consider environmental friendly products to be the most important market trend after the pandemic.
- In addition, 46% of respondents thought that the most important trend would be recycle economies.
- Around 25% see functional driven and price points centric developments as important.



PREVAILING SPORTS AFTER THE PANDEMIC



- The industry was split on which sports would be most prevalent post COVID-19.
- Around 70% of respondents see running and outdoors as the most appealing sports after the pandemic.
- A little less than 50% consider walking to be practiced most after the pandemic.
- Around 20% consider basketball and soccer to take that position.
- Finally, cycling is also seen as a popular activity after the pandemic.



NEXT SURVEY MAY 2020



Want to support us by filling in the next survey edition? It takes you less than 3 minutes, many thanks!

<https://www.surveymonkey.com/r/7VF7FW8>

ANYTHING WE CAN DO FOR YOU IN THESE TROUBLED TIMES?
Please contact us at any time!

covid19support@wfsgi.org

KEEP SAFE & HEALTHY

WFSGI – World Federation of the Sporting Goods Industry

Haus des Sports, Talgut-Zentrum 27, 3063 Ittigen/Bern, Switzerland

Phone +41 31 939 60 61

www.wfsgi.org, E-mail: mmagnus@wfsgi.org