RESULTS:

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

June 2020
WFSGI is 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. Participation in the survey is confidential and anonymous, the WFSGI will not get any company or participants names.

WFSGI is pleased to share the results of the June 2020 edition:
1. SPORTING GOODS MANUFACTURING COMPANIES
DEMAND: SLIGHTLY LESS ORDER DECREASE

• The trend shows that the situation is improving in all regions except Latin America where 10% more respondents than last month see a demand decrease.

• For both Europe and Northern America the number of respondents facing demand decrease has dropped by more than 12%.
• There are double as many respondents facing material shortage compared to last month.

• Especially the capacity of shipping companies is more of a problem compared to last month. All other reasons for material shortage are more or less equally important.

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**LOGISTICS: AGAIN INCREASING MATERIAL SHORTAGE**

<table>
<thead>
<tr>
<th>Reason</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withhold of shipments at borders</td>
<td>40,91%</td>
<td>36,36%</td>
<td>32,50%</td>
</tr>
<tr>
<td>Delayed finish goods transportation</td>
<td>31,82%</td>
<td>31,82%</td>
<td>31,82%</td>
</tr>
<tr>
<td>Production bottlenecks</td>
<td>30,50%</td>
<td>31,82%</td>
<td>30,00%</td>
</tr>
<tr>
<td>Shipping companies' lack of capacities</td>
<td>27,27%</td>
<td>22,73%</td>
<td>22,73%</td>
</tr>
<tr>
<td>I don't face material shortage</td>
<td>12,50%</td>
<td>12,50%</td>
<td>12,50%</td>
</tr>
<tr>
<td>I don't face material shortage (other)</td>
<td>12,50%</td>
<td>12,50%</td>
<td>12,50%</td>
</tr>
</tbody>
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• The number of respondents facing disruption remains roughly the same.

• Supply chain disruption continues to diminish for Far East and Europe.

• In all other regions respondents see an slight increase of their supply chains being disrupted.
• Still a little less than 40% see shortage of workers, that’s more than 10% less than last month.
• The number of respondents challenged by forced company closure is further decreasing.
• Half of last months respondents are confronted with staff being absent due to reluctance to return to work and because they must take care of family members.
• Travel restrictions and closed public transport remain an important reason for staff being unable to pursue their tasks.

LABOR: DECREASING SHORTAGE OF LABOR

Are you confronted with shortage of labors due to:

<table>
<thead>
<tr>
<th>Reason</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forced company closure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No shortage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel restrictions</td>
<td>59.09%</td>
<td>50.00%</td>
<td>38.64%</td>
</tr>
<tr>
<td>Social distancing measures</td>
<td>27.27%</td>
<td>20.00%</td>
<td>13.64%</td>
</tr>
<tr>
<td>Staff taking care of family members</td>
<td>22.73%</td>
<td>20.00%</td>
<td>8.88%</td>
</tr>
<tr>
<td>Staff reluctance to work</td>
<td>18.18%</td>
<td>15.99%</td>
<td>6.82%</td>
</tr>
</tbody>
</table>
Over 75% are impacted by specifically implemented regulations due to the COVID-19 pandemic. This remains unchanged compared to last month.
Close to 77% are challenged by low cash flow. This is roughly 7% less than last month and with that the trend continuous to show that respondents face slightly less cash flow issues.
COVID-19 is forecast to impact 84% of respondent's business. That’s a little improvement of 6% compared to last month.

There is an unchanged trend that, most of respondents (27%) see their business dropping by 50% in the upcoming month. Next, 25% of respondents expect a 20% drop and 15% expect their business to drop 10%.

Compared to the last months, nobody expects a business drop of more than 90% but a little more than 2% expect still their business to drop by 90% whereas nobody expected that in the last months.

The most affected regions remain Europe where and Northern America where a little over 60% expect less business which is a drop of around 10% compared to last month.
7% do not expect any recovery. That’s slightly more optimistic than last month when still 10% shared that opinion.

The percentage of respondents expecting their business to recover by 10 to 50% remains roughly the same as last month.

However, there are only half as many respondents expecting a recovery between 70 and 90%.

Over 45% of respondents see a recovery within 91 to 180 days, while 30% think it will take more than a year.
• Close to 50% rely on government loans and financial assistance.
• The number of respondents having no plans is still decreasing and accounts for 7% compared to 10% in May and 14% in April.
• The same goes for the retrenching workers, where a downtrend is pointing towards 27% (40% in May and 46% in April) and also adopting lean production is for 4% less an option.
• The option gaining most consent is to consolidate production capacities, close to 60% opt for this solution.

**What would be your ideas to plan to sustain your operations?**

- Consolidate production capacities: 68.18% in April, 59.09% in May, 43.18% in June
- Government loan and financial assistance: 59.09% in June, 45.45% in May, 40.00% in April
- Through workers retrenchment: 45.45% in April, 17.50% in May, 40.00% in June
- Adopt automation to boost the productivity with fewer workers: 10.18% in April, 22.50% in May, 27.27% in June
- No plans: 13.64% in April, 10.00% in May, 6.82% in June
2. RESPONSES SPORTING GOOD BRANDS AND RETAILERS
• Focusing on the recovering Asian market and cancelling orders are again less of an option compared to last months.

• For all other strategies the trend changes and response rates are again going into the same direction as in April and not pursuing the direction of May.

• Increasing online sales (77%) and clean out existing inventories (40%) remain the most chosen strategies.
Whereas in April 60% opted to defer payment and still 47% did so in May, there are only a little over 12% opting for that strategy in June.

In return, consolidating the supply chain has gained in importance as 15% more respondents since April look into that solution.

What would be the repercussion of the mitigation strategies to the suppliers?

- Deferred payment flows
- Same supply base but less business volume

April | May | June
--- | --- | ---
Deferred payment flows | | |
Same supply base but less business volume | | |
• The order of priorities remains unchanged compared to the last months.

• Focusing on cash position and product marketing is for around 12% of respondents less important than in May.

• As of June a high percentage of nearly 60% of respondents have explained that employees’ health has become a priority.
Respondents have selected nearly the same order of expectations towards suppliers as they did in April.

Flexibility remains key while Efficiency and Stability are roughly of same importance.
• Lean and adaptive supply chain transformation is further loosing attractiveness amongst respondents with only half of them opting for this change.
• Innovation and disruptive solutions is again more important to the industry.
• Moving closer to the market is increasingly important as again 10% more respondents have opted for this move.
• Being cost sensitive is as unattractive as never since the survey start.
Only 35% of respondents don’t intend to change their sourcing priorities, that’s a significant drop of 15% compared to last month and is the same result as in April.

The trend goes on that global market centric sourcing is getting less attractive with only 20% of respondents choosing that option.

Local for local and also regional centric sourcing is becoming a more likely option for respondents.

How do you want to reframe your sourcing priorities after the pandemic?
MARKET TRENDS: DOWNWARD TREND FOR PRICE SENSITIVITY

- Price points centric trends seem to be less likely for the industry according to 16% less respondents.
- Environmental friendly solutions are slightly increasing as a future trend.

What would be the emerging market trends after the pandemic?

<table>
<thead>
<tr>
<th>Trend</th>
<th>April</th>
<th>May</th>
<th>June</th>
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</thead>
<tbody>
<tr>
<td>Environmental friendly products</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Recycle economies</td>
<td>25%</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Fit and comfort driven</td>
<td>35%</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Functional driven</td>
<td>45%</td>
<td>50%</td>
<td>55%</td>
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</tbody>
</table>
Outdoor remains the most prevalent sport according to the industry.

This is closely followed by cycling and running.

It’s worthwhile that Basketball and Baseball have not been selected by any of the respondents.
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/PL3JPKC

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

covid19support@wfsgi.org

KEEP SAFE & HEALTHY

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