RESULTS:

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

May 2020
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 May 2020 edition:
1. SPORTING GOODS MANUFACTURING COMPANIES
Demand: Persisting Significant Order Decrease

- Around 80% of respondents see decreasing orders from customers in Europe and the Northern America.
  - Compared to last month, the situation for Europe and Northern American has slightly improved around 10%.
- This number is lower (around 30%) for Latin America, Far East and South Asia.
  - While the situation remains the same for Latin America, it worsened for Far East, South Asia, and the African & Middle East region.

Where have you seen decreasing orders from:

<table>
<thead>
<tr>
<th>Region</th>
<th>April 95.45%</th>
<th>May 86.36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>95.45%</td>
<td>86.36%</td>
</tr>
<tr>
<td>US &amp; Canada</td>
<td>87.50%</td>
<td>72.50%</td>
</tr>
<tr>
<td>Latin America</td>
<td>27.27%</td>
<td>27.50%</td>
</tr>
<tr>
<td>Far East</td>
<td>40.00%</td>
<td>42.50%</td>
</tr>
<tr>
<td>South Asia</td>
<td>31.82%</td>
<td>36.36%</td>
</tr>
<tr>
<td>Africa &amp; Middle East</td>
<td>27.50%</td>
<td>9.09%</td>
</tr>
</tbody>
</table>

© WFSGI 2020
• 50% of respondents face material shortage.
  • The situation around closed factories has improved: Nearly 50% less respondents than last month see this an issue.
  • The same applies for shipping companies 50% less respondents face shipping capacities than last month.
• Around 30% face issues due to shipments being withhold, production bottlenecks or delayed finish goods transportation.
70% of respondents face supply chain disruption: mostly affected in Far East (47%), followed by Europe (35%), South Asia and Northern America (both 20%).

- The number of respondents facing disruption in South Asia has dropped by more than 30%. Also, half as many respondents face disruption in Europe compared to last month and 20% less respondents face disruption in Far East.
50% do not see any labor shortage.

- The number of respondents facing forced company closure has dropped by more than 50% since last month.
- Also, shut down of public transportation is a problem for nearly half as many respondents compared to last month.
Over 77% are impacted by specifically implemented regulations due to the COVID-19 pandemic.

This is a slight decrease of a little less than 10% compared to last month.
Over 77% are challenged by low cash flow.
  
  This is a slight decrease of a little less than 10% compared to last month.

There are still a little over 22% not facing any cash flow issues.

Are you facing challenges caused by low cash flow during this situation?

- April: 86.36%
- May: 77.50%

- Yes: 22.50%
- No: 13.64%
COVID-19 is forecast to impact 90% of respondent's business.

Most of them, close to 37%, see their business dropping by 50% in the upcoming month.
  - That’s a drop of over 10% compared to last month.
  - There are still 10% people expecting no change in their business compared to zero last month.

The most affected regions for respondents remain Europe where 80% see a drop of their business and Northern America with 70%.
  - That’s a slightly more optimistic (-15% for Europe and -7% for Northern America) than last month.
10% do not expect any recovery.

- Industry confidence regarding the future outlook and recovery has changed compared to last month as more than double the number of last month don’t expect a recovery.
- Only one third of last month’s respondents (12%) expect that their business will rebound by 10%.
- The percentage of respondents expecting their business to recover by 20% and 50% remains roughly the same as last month.
- While there were 4.5% seeing their business to recover by 90% last month, there are nearly double as much this month. Also, 7.5% of respondents expect a recovery of 70% and more than 100% compared to 0% last month.
- Compared to last month double the number of respondents think that they will need more than one year to recover.
• Close to 50% will consolidate production capacities as a response to the pandemic. 45% will focus on adopting lean production to eliminate waste.
  • These percentages went down by around 15% compared to last month.
• 5% less than last month will need to look into worker retrenchment.
  • The number of respondents considering automation remains the same.
• Compared to last month only 10% have no specific plans in place.
  • That’s nearly 5% less.
2. RESPONSES SPORTING GOOD BRANDS AND RETAILERS
• 64% want to increase their on-line sales.
  • That’s a drop of 10% compared to last month.
  • The percentage of respondents who opt for keeping minimum inventories and wait out has sky-rocked from 16 to 40%.
  • Other strategies seem to remain at the same level of importance.

What would your strategy be to mitigate the sharp impact from the market shut down?

- Increase on-line sales
- Clean out all inventories to maintain cash position
- Exploit market opportunities from fast recovering Asian markets (i.e. China, Japan, Korea…)
- Reduce the demand by cancelling orders in the following months
- Keeping minimum inventories and wait out

© WFSGI 2020
The figures remain basically the same as last month regarding possible repercussions.

- Close to 60% will decrease the business volume for each of their supplier but try to provide business for all of them.
- From a financial perspective there are 15% less expecting deferred payments compared to last month.

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

- Consolidate the supply base and keep only strategic partners
- Share the pains by keeping the same supply base but less business volume for each
- Deferred payment flows

April
- 35.71%
- 30.00%
- 60.00%

May
- 57.14%
- 35.71%
- 46.43%
The trend remains the same for the priorities of respondents compared to last month:

- Over 80% will focus on cash position while 30% are increasing their supply chain efficiency.
- 25% will look into product marketing and market shares.
  - Respondents have mentioned employees' health as a new focus.
Most respondents, 85%, are welcoming flexible suppliers while around 25% are awaiting efficiency.

- Compared to last month the importance of stability has significantly increased from 23 to over 42 percentage.

What would be your expectations to suppliers during this difficult period?

![Graph showing expectations to suppliers during April and May.](chart.png)
• Last month being lean was chosen by three quarters of respondents.
  • This month shows a strong assimilation of the answers.
  • Being cost sensitive has gained in importance, as nearly double the respondents opted for this answer.
  • Innovation and disruptive solutions are only for 35% percentage an option whereas still over 56% opted for this solution last month.
Half of respondents don’t intend to change any sourcing priorities.

- This is an increase of nearly 15% compared to last month.
- Other changes are that half as many respondents have opted for both local to local and regional centric sourcing.
MARKET TRENDS: SHIFT FROM SUSTAINABILITY TO PRICE SENSITIVE

- Sustainability has suffered a lost as only 50% of respondents - compared to 70% last month – consider environmental friendly products as key. Also, recycling remains important for 46%, this is decrease of 14%.
- On the other side price point centric measures, chosen by over half of respondents, are double as important as last month.

What would be the emerging market trends after the pandemic?

- April
- May

Environmental friendly products
Recycle economies
Price points centric
Fit and comfort driven
Functional driven
Around 70% of respondents see running and outdoors as the most appealing sports after the pandemic.

- The industry remains split on which sports would be most prevalent post COVID-19.
- Compared to last month baseball has won in importance as a popular sport after the pandemic.
- Finally, cycling and swimming are also seen as a popular activity after the pandemic.
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/3V95MPD

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