

RESULTS:

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

July 2020



PRELIMINARY INFORMATION



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 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 can 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 July 2020 edition:



1. SPORTING GOODS MANUFACTURING COMPANIES

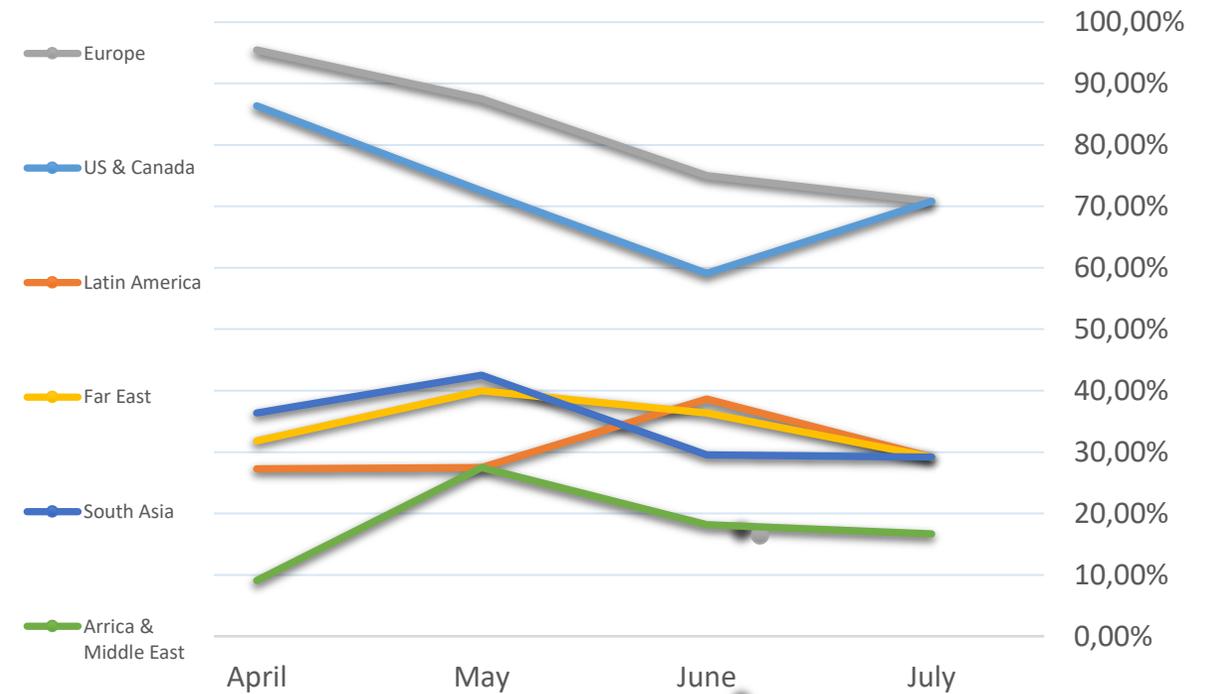


DEMAND: MINOR CHANGES



- The situation around orders from Europe, Africa & Middle East, Far East has slightly improved.
- 10% more respondents than last month face orders decrease from Northern America.
- 25% don't face any decreasing orders at all.

Where have you seen decreasing orders from:

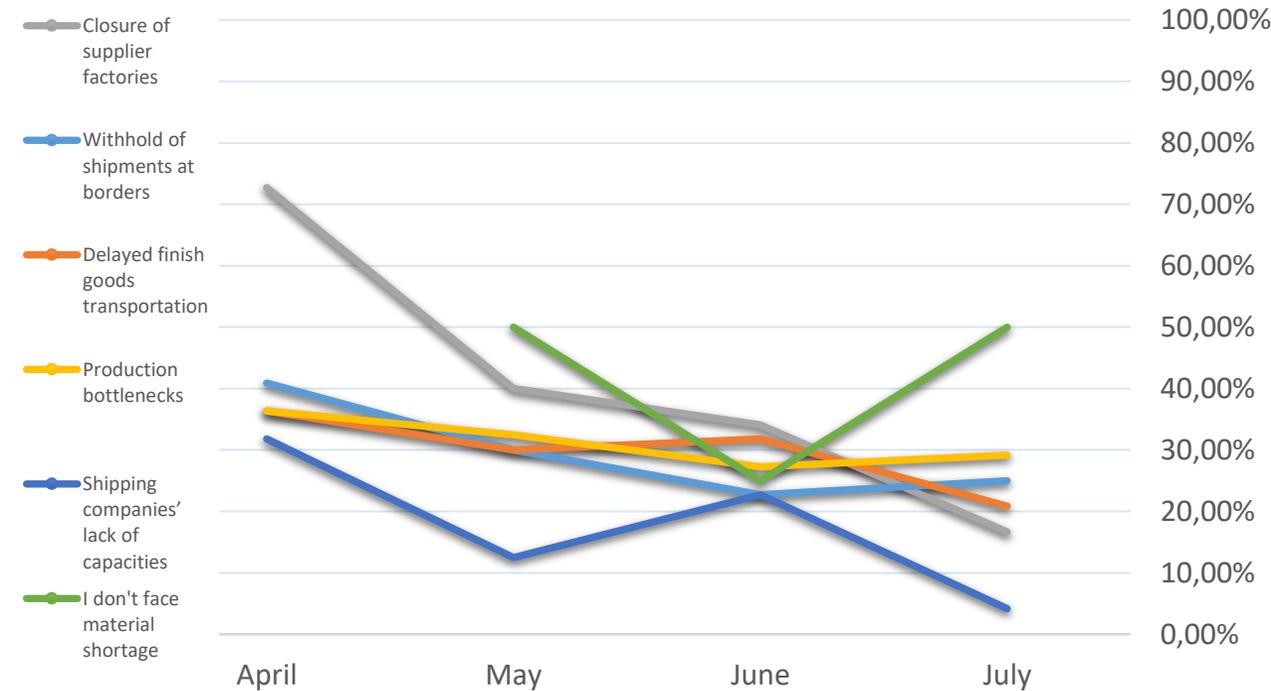


LOGISTICS: STRONG DECREASE OF MATERIAL SHORTAGE



- Only 50% of respondents face material shortage, that's a considerable improvement.
- Production bottle necks and withhold of shipments are remaining equally challenging as last month.
- The trend shows that the lack of shipping capacities, delayed finished goods transportation and closure of factories are again less of an issue.

Are you facing material shortage due to:

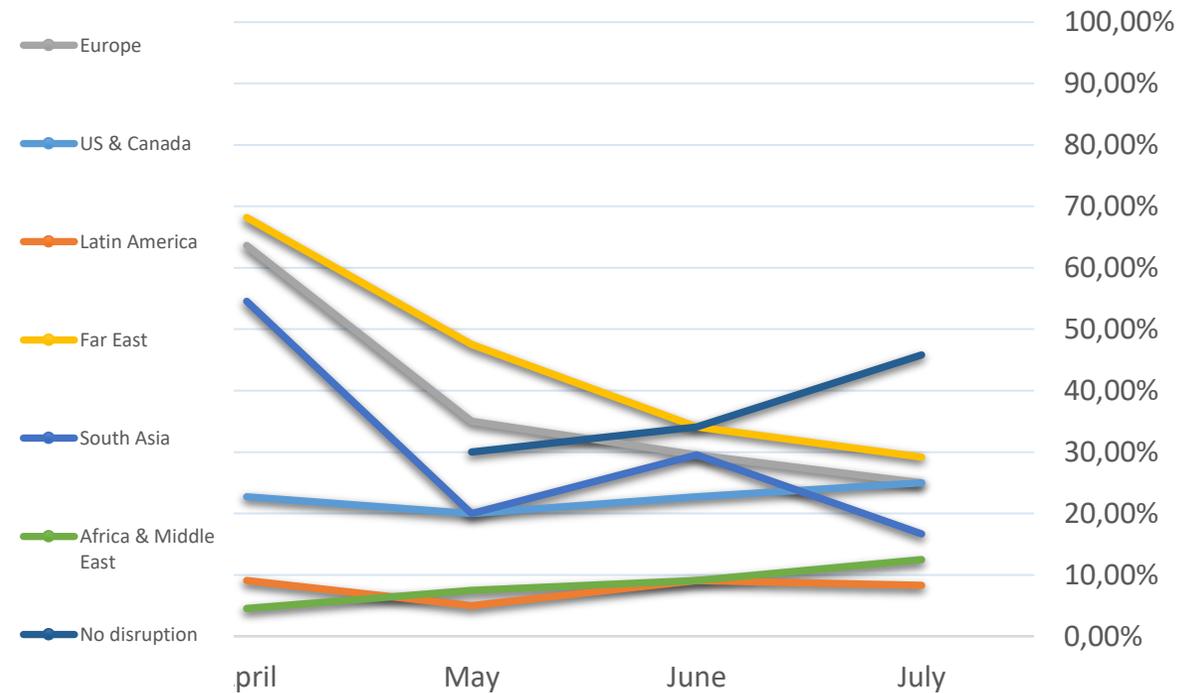


SUPPLY: SUPPLY CHAIN LESS DISRUPTED



- The number of respondents facing disruption has dropped by 10%.
- There is a positive trend for Europe, South Asia, Far East and Latin America where a decreasing number of respondents face disruption.
- In Northern America and Africa & Middle East more respondents face disruption than last month.

In which regions do you see your supply chain disrupted:

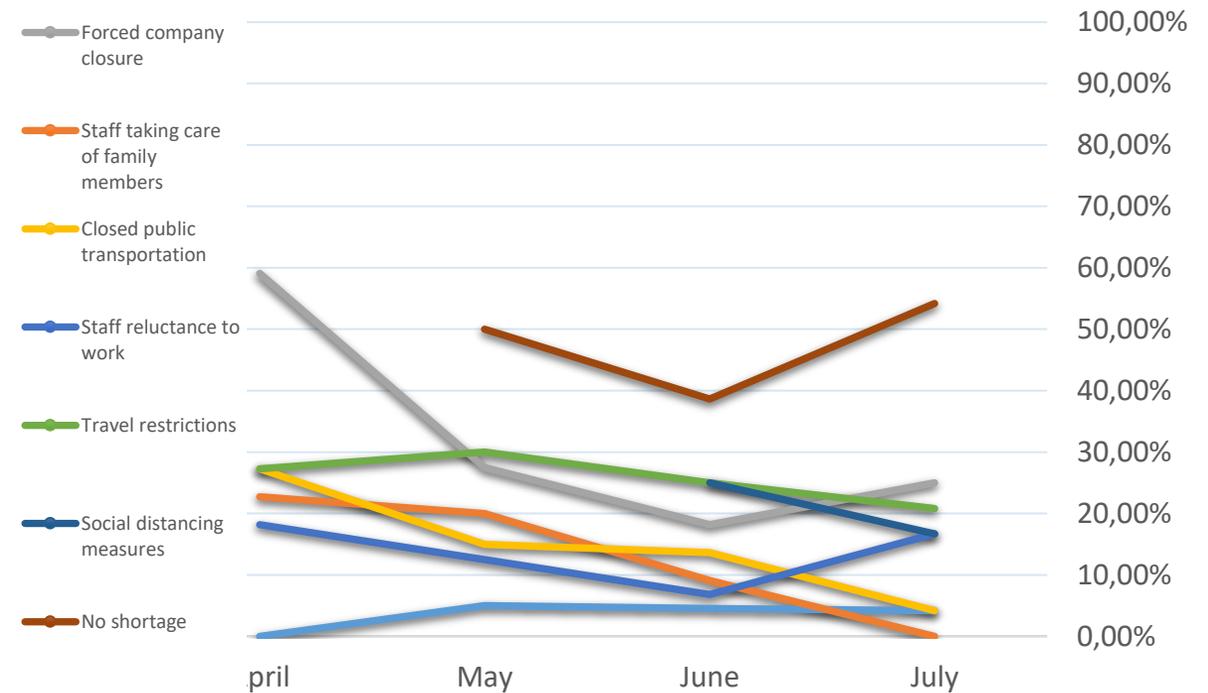


LABOR: DECREASING SHORTAGE OF LABOR



- More than half of the respondents don't face labor shortage, that's an improvement of over 15% compared to last month.
- The number of respondents challenged by social distancing measures, travel and public transport restrictions and staff taking care of family members is continuously decreasing.
- The number of respondents having staff being infected by Covid-19 remains stable.
- Forced company closures and staff being reluctant to work are the only two reasons for labor shortage gaining again importance.

Are you confronted with shortage of labors due to:

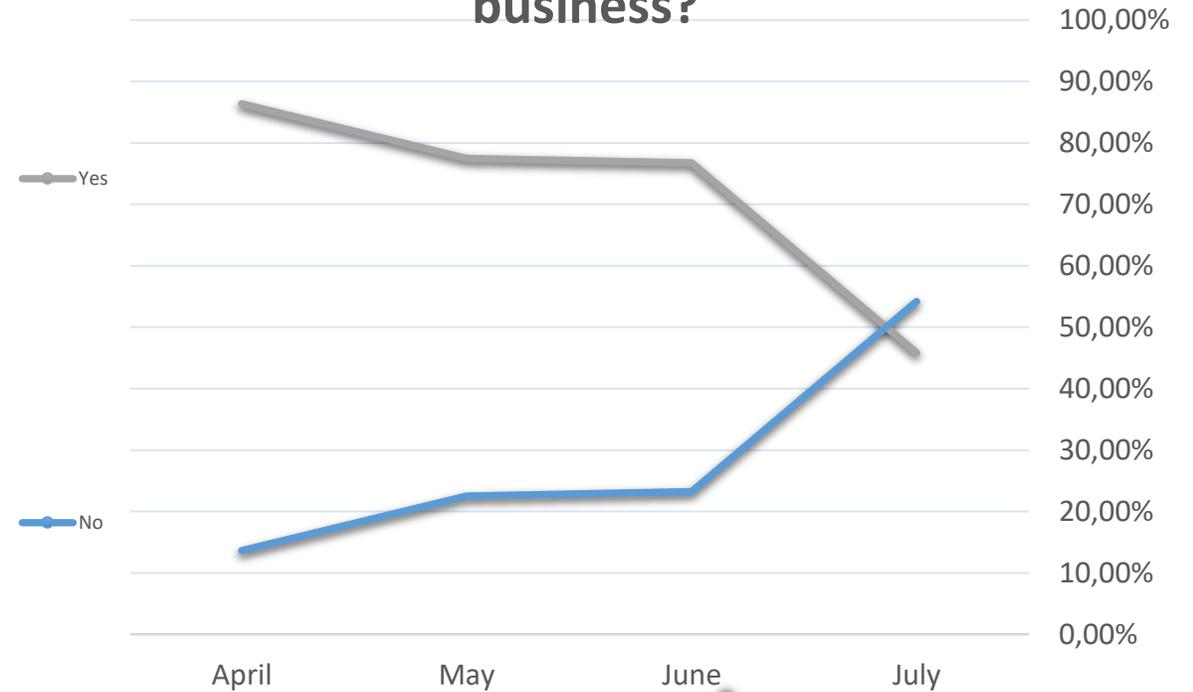


LEGAL: COVID-19 REGULATORY MEASURES SIGNIFICANTLY LESS AFFECTING



- July is the first month where more respondents of this survey are not impacted by regulatory requirement specifically put in force due to the pandemic.

Do Covid-19 regulatory requirements from local government impact your business?

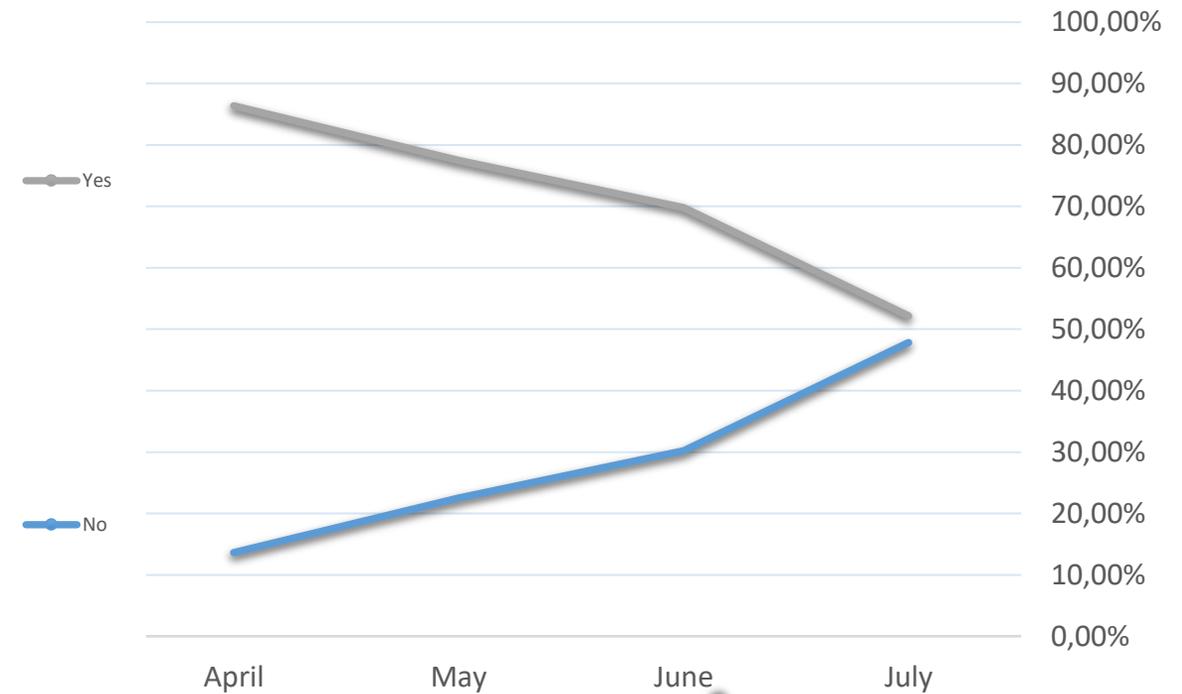


FINANCE: CASH FLOW ISSUES CONTINUOUS TO DECREASED



- There is a very clear trend showing that throughout the month companies face less cash flow issues. In July 48% don't face any cash flow challenges while only 52% still have challenged.

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

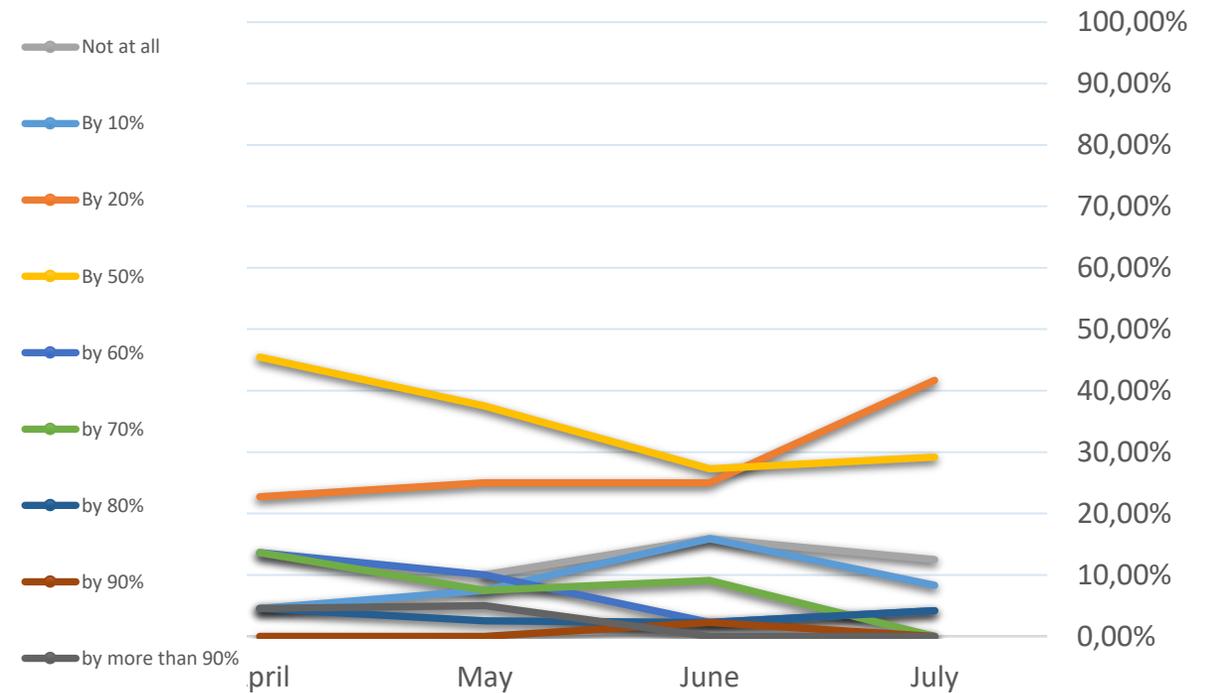


BUSINESS FORECASTING: GLOBAL SLUMP STILL PROJECTED BY MANY BUT LESS FIERCE



- COVID-19 is forecast to impact 86% of respondent's business. That's a slightly more compared to last month.
- There seems to be more optimism amongst respondents as only a little more than 4% expect a drop of more than 60%. Last month still 15% where expecting such a decline.
- Most respondents see a business drop by 20% (42% of respondents) and a decline of 50% (30% of respondents).
- The most affected regions remain Europe and Northern America where over 70% expect less business which is an increase of around 10% compared to last month.

Do you see your business dropping in the upcoming month:

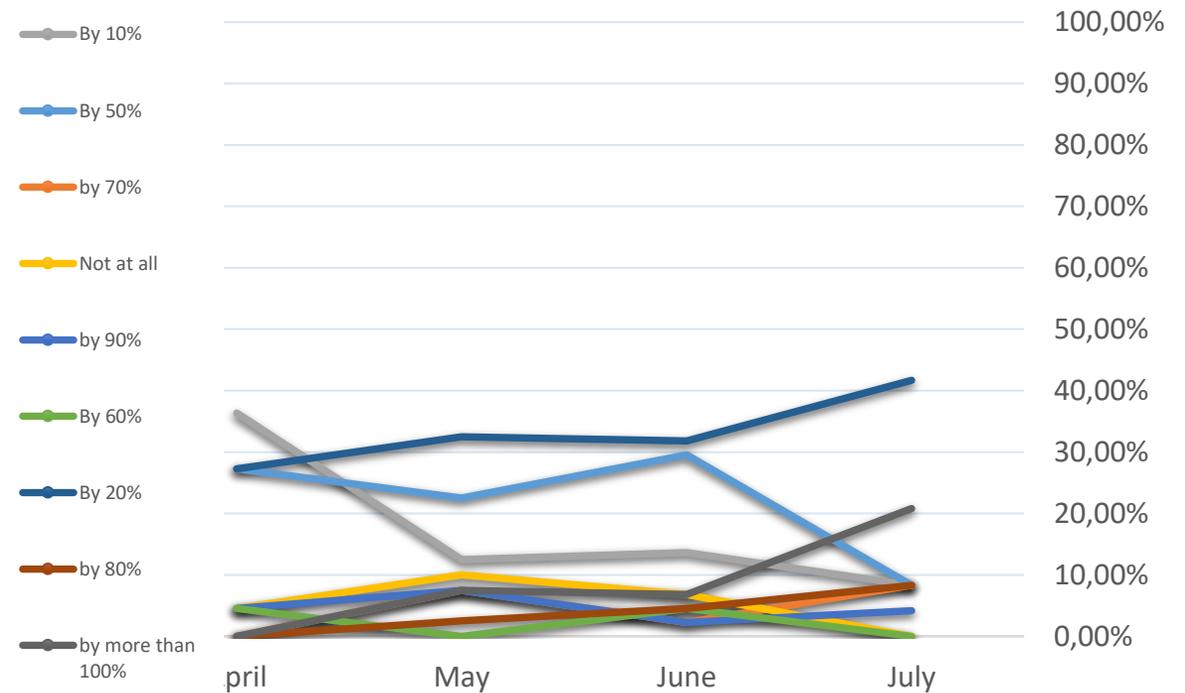


BUSINESS FORECAST: MORE OPTIMISM REGARDING FULL RECOVERY BUT LESS OPTIMISM REGARDING RECOVERY TIME



- In July it was the first time that 0% of respondents didn't expect any rebound of their business at all. Also, 20% expect a recovery of more than 100% which is nearly triple as much as in June.
- As in the previous months, most respondents expect a recovery of 20%.
- With regard to the time frame necessary for the recovery, respondents are slightly more pessimistic as close to 50% think that their business will need more than one year (last month only 30% opted for this answer). 37,% still guess that 91-180 days are necessary for their company to rebound.

Do you foresee the business rebound after the pandemic?

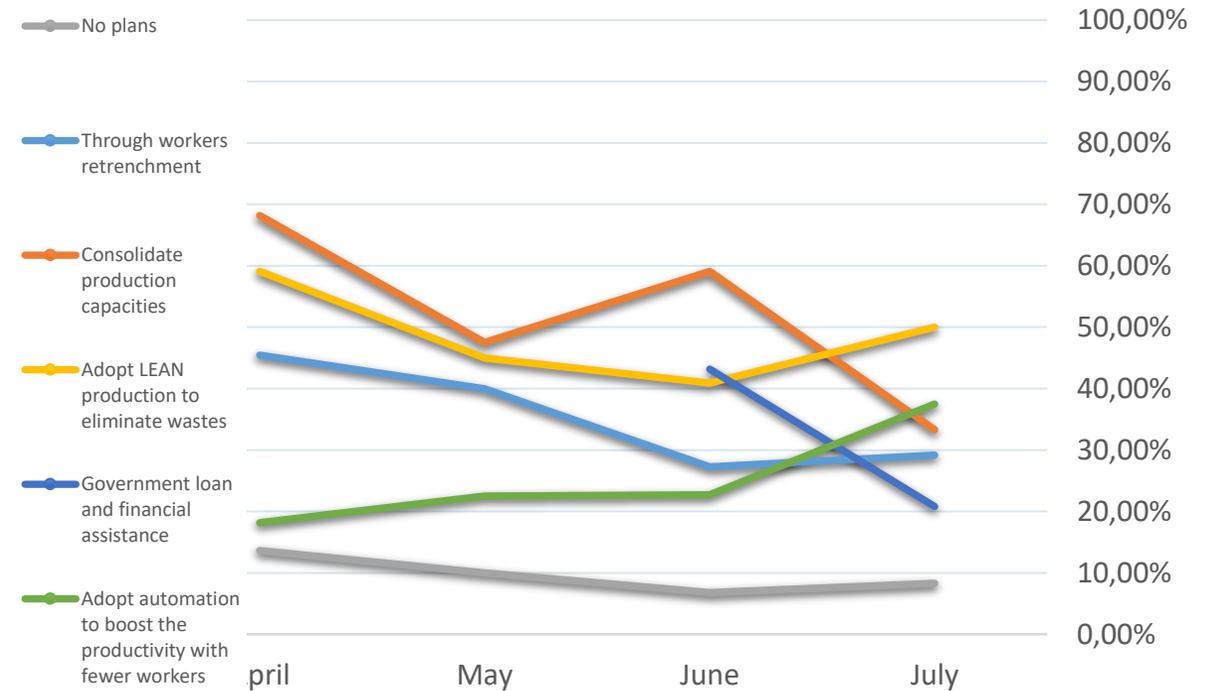


MEASURES TAKEN: SHIFT OF FOCUS FROM CONSOLIDATION TO LEAN AND AUTOMATED PRODUCTION



- The most popular options are adopting lean production and automation. The latter was only the second last option chosen in June.
- There is a sharp decline of companies consolidating production and benefitting from government loans.
- The number of respondents having no plans is stable with a little under 10%. Also, the percentage of respondents considering worker retrenchment is roughly the same.

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





2. RESPONSES SPORTING GOOD BRANDS AND RETAILERS

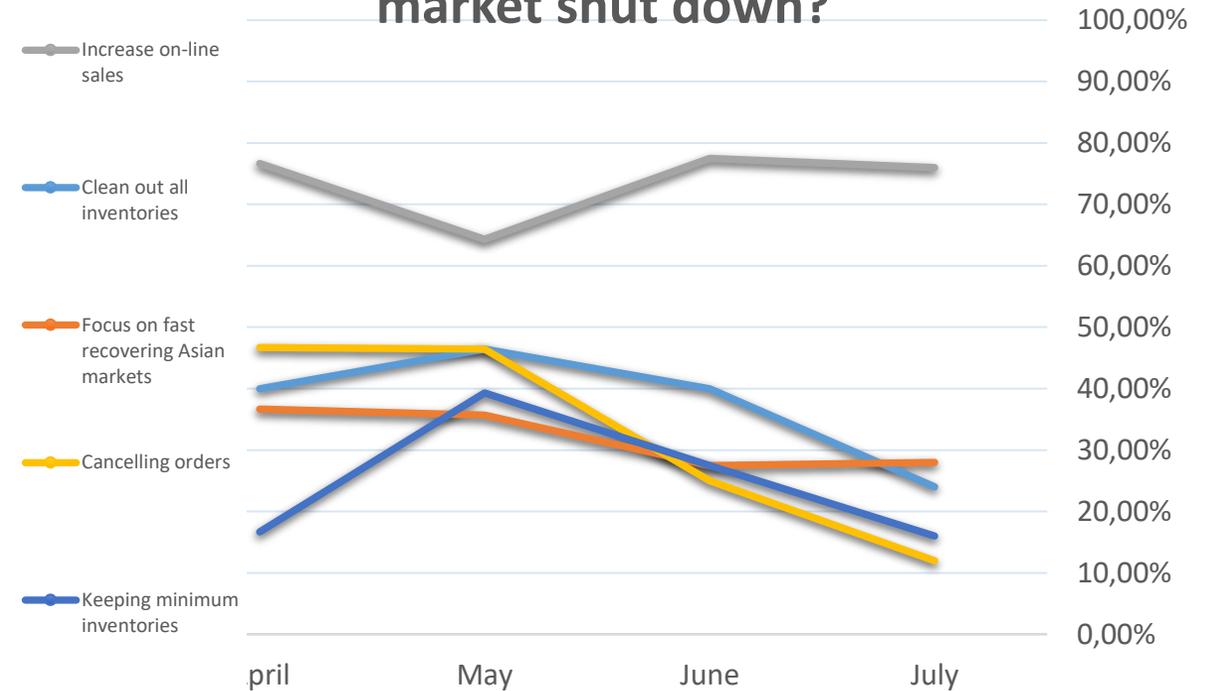


IMPACT MITIGATION: ONLINE SALE INCREASE REMAINS KEY



- Increasing online sales (76%) remains unchanged the most chosen option to mitigate the impact of the pandemic.
- Focusing on the recovering Asian market remain as important as last month.
- All other strategies continue to lose importance to the respondents.

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

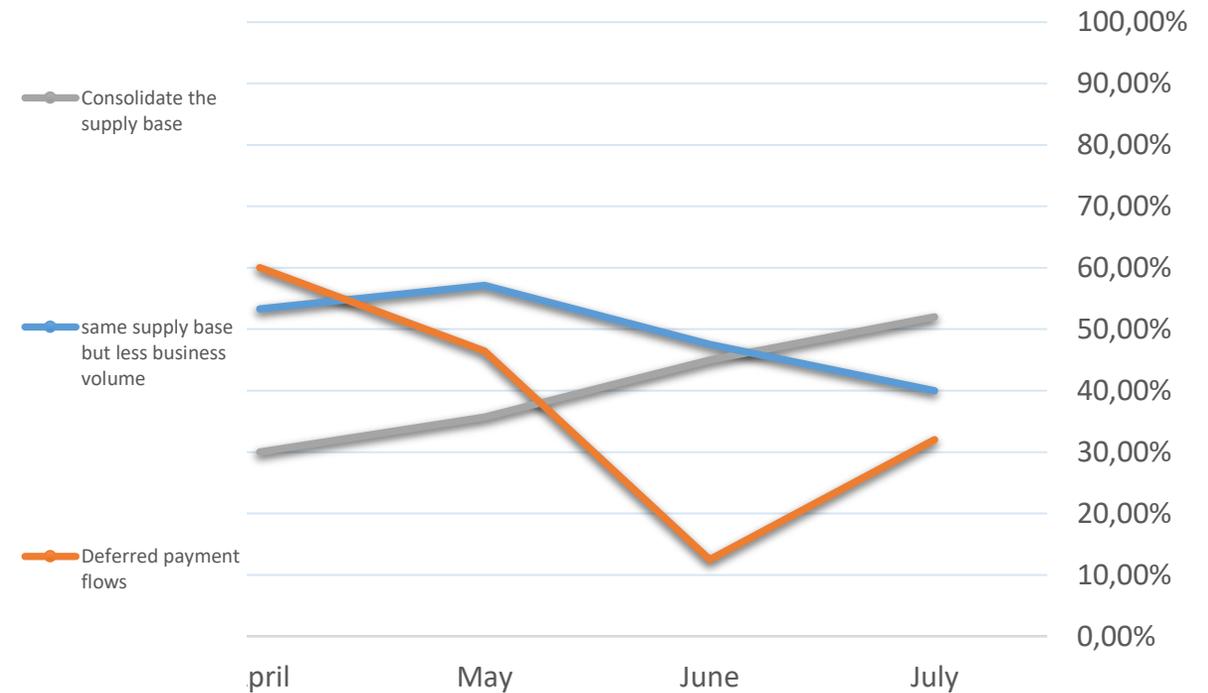


REPERCUSSION: CONTINUOUS IMPORTANCE OF SUPPLY CHAIN CONSOLIDATION



- The trend clearly shows that consolidating the supply chain is constantly gaining in importance over the past months. It is even the most important measure chosen in July.
- But also deferred payments is making a sharp increase and is again of relevance to over 30% of respondents.
- Opting to keep the same supply base but decreasing business volume is continuing to be less important.

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

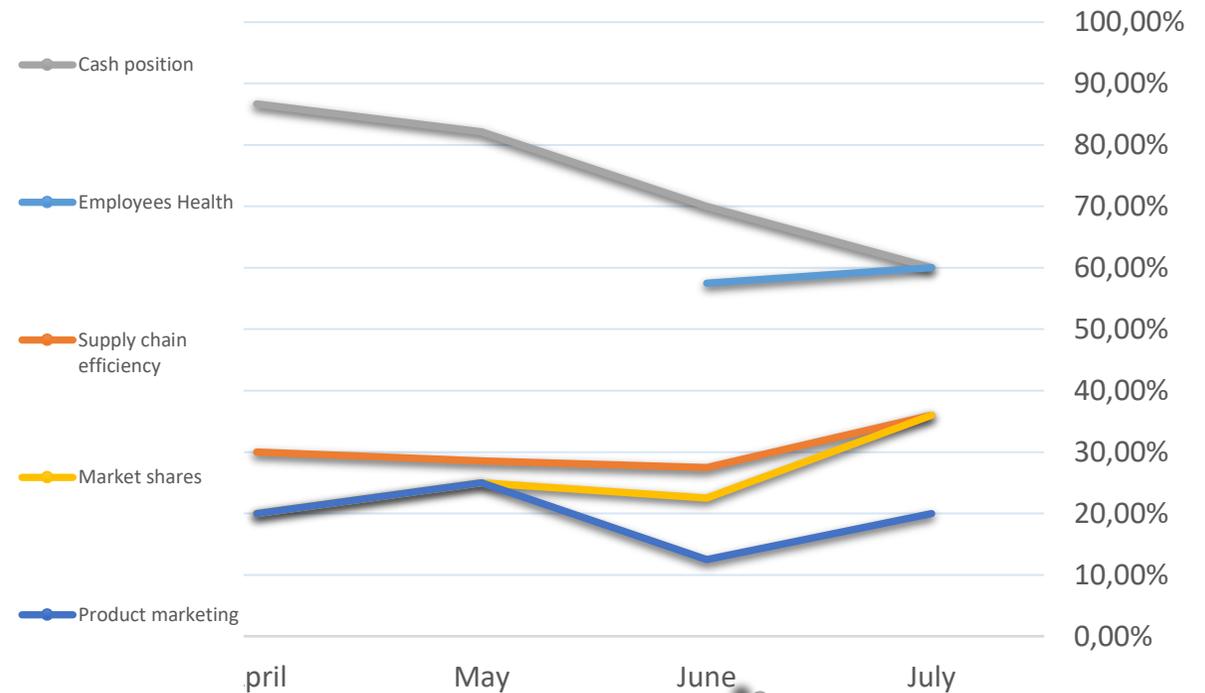


PRIORITIES: CASH POSITION AND STAFF'S HEALTH



- The order of priorities remains unchanged compared to the last months.
- However, the trend seems to announce that the order will change in the upcoming months:
 - Cash position is further losing importance while employees' health is slightly more important than last month.
 - Supply chain efficiency, market shares and product marketing are all prioritized by around 10% more respondents as last month

What would your priorities be during this difficult period?

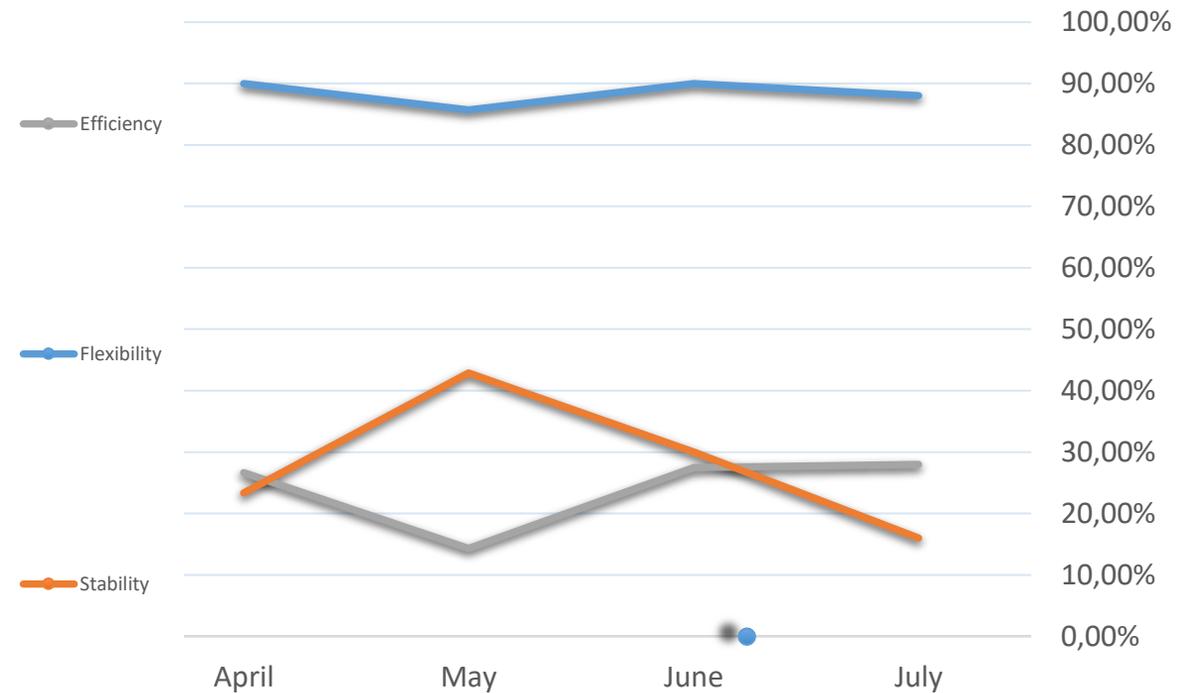


EXPECTATIONS TO SUPPLIERS: FLEXIBILITY REMAINS CRUCIAL



- Flexibility remains key as it is chosen by close to 90% of respondents.
- Efficiency becomes more important than Stability this month as close to 30% have opted for efficient suppliers compared to 16% for Stability..

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

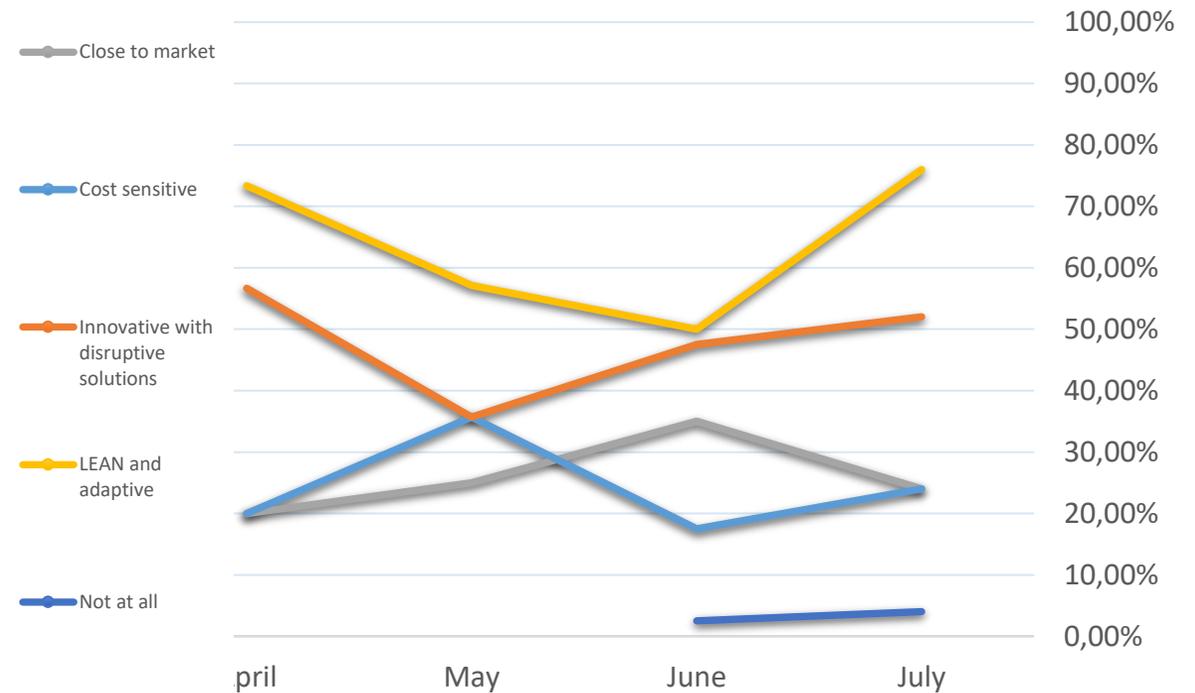


SUPPLY CHAIN TRANSFORMATION: HIGH SUPPORT FOR INNOVATIVE AND DISRUPTIVE SOLUTIONS



- Lean and adaptive supply chain transformation is gaining attractiveness amongst respondents with nearly 30% more respondents opting for this solution.
- Innovation and disruptive solutions is again slightly more important to the industry. The same applies to cost sensitivity.
- Moving closer to the market is for the first time suffering a loss of over 10%.
- Still a minority of 4% do not foresee to change their supply chains.

How would you like your supply chains be transformed after the pandemic?

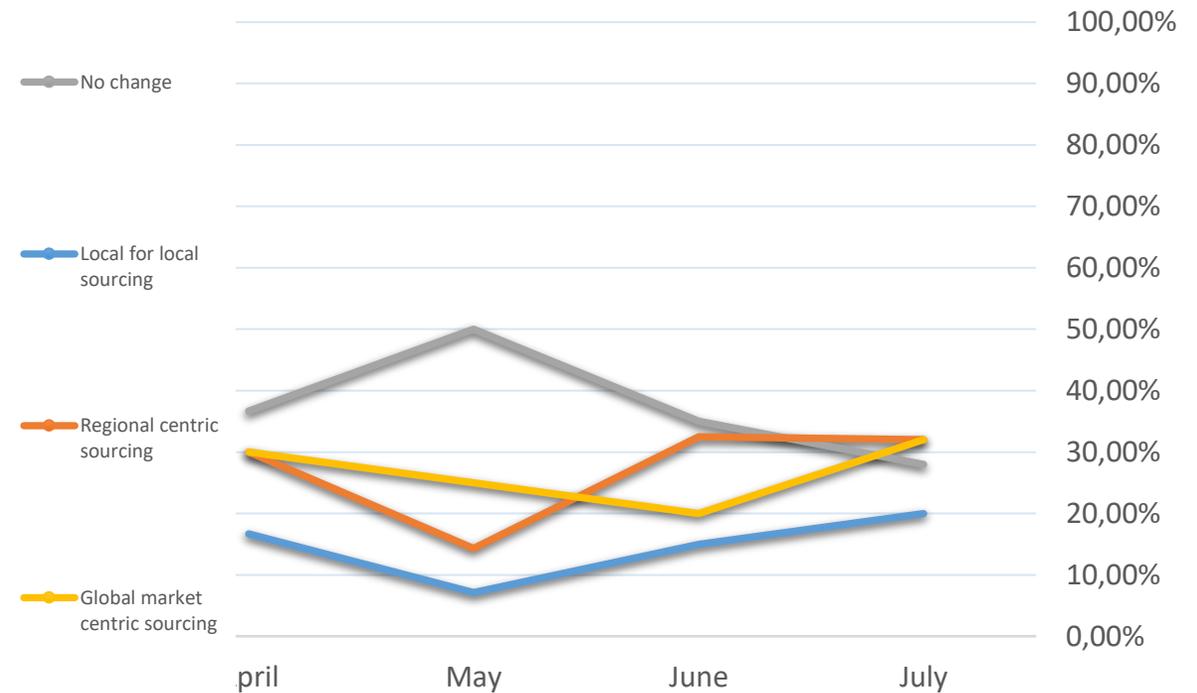


SOURCING PRECEDENCE: TREND SHOWS NEED FOR CHANGE



- There are only a little less than 30% of respondents left who are not at all changing their sourcing priorities. With that said this trend continues for the third month.
- The downwards trend for global market centric sourcing has stopped this month as there are over 10% more respondents giving this answer.
- The trend goes on that local to local sourcing is getting more attractive with 20% of respondents supporting this idea.
- Regional centric sourcing remains an option for a little over 30% of respondents.

How do you want to reframe your sourcing priorities after the pandemic?

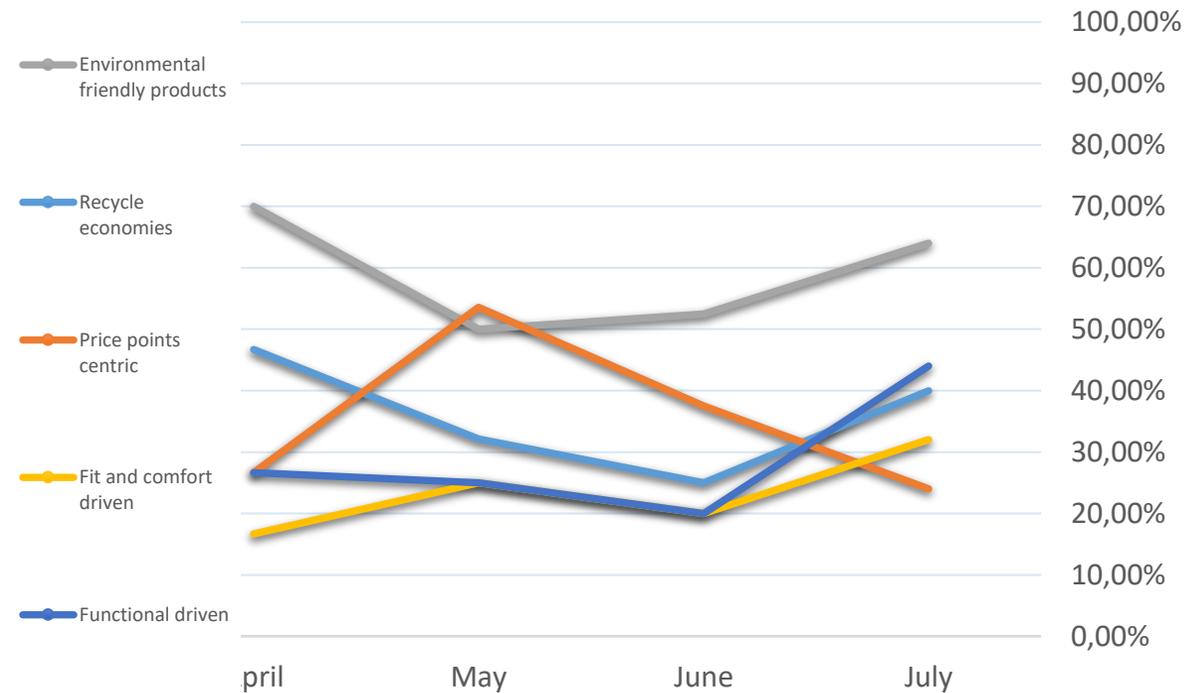


MARKET TRENDS: ENVIRONMENT AND FUNCTIONALITY PROSPER AT THE COST OF PRICE SENSITIVITY



- While price points centric trends was the most important option in May, it is now in July the least expected trend.
- Environmentally friendly products are still topping the list.
- All other trends are gaining support of more than 10% more respondents compared to June.
- Functional driven trends are the second most important trend this month. It's noteworthy that it was the least important trend in the past months.

What would be the emerging market trends after the pandemic?

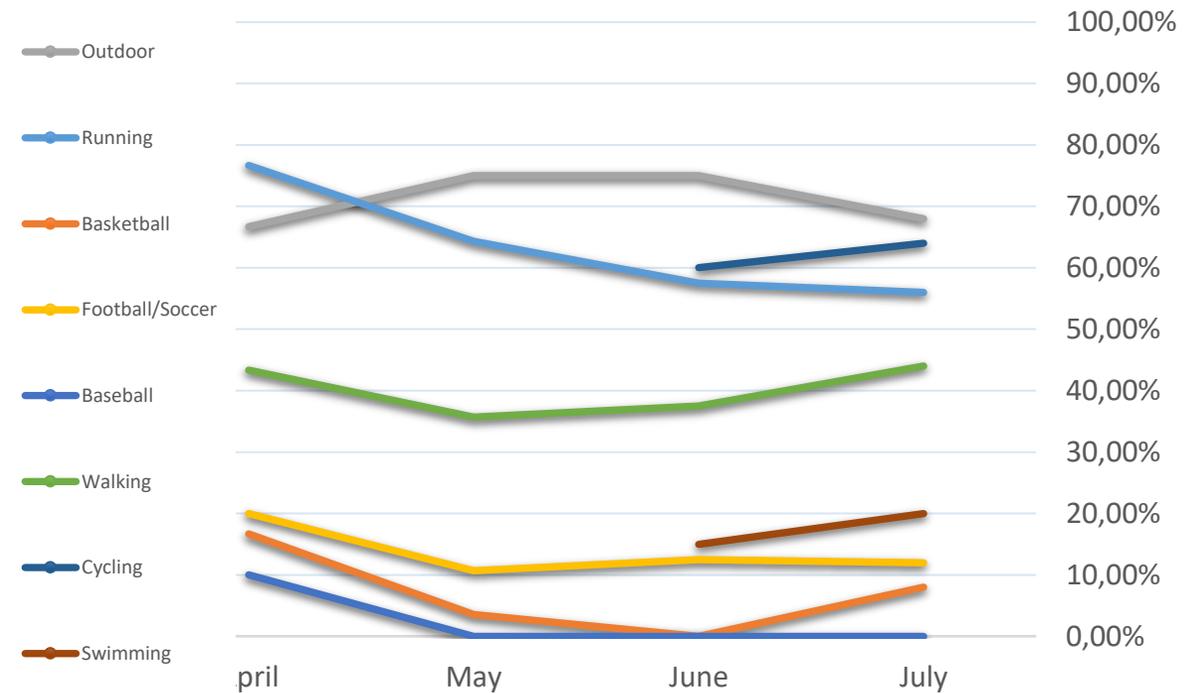


PREVAILING SPORTS AFTER THE PANDEMIC: OUTDOOR AND CYCLING AHEAD OF THE REST



- Outdoor remains the most prevalent sport according to the industry but cycling is closing the lines.
- The order remains unchanged compared to the last two months.
- It's worth noting that Basketball and Baseball was not selected by any of the respondents the third time in a row.

In your view, which product categories will prevail after the pandemic



NEXT SURVEY AUGUST 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/MSWP3MW>

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