The SportsTech industry is moving from a niche market to a globally accepted industry. Accelerated by the pandemic and driven by trends topics such as Digital Fitness, NFTs and Fantasy Sports & Betting, it affects how sports are played, consumed and managed. This also presents new developments and opportunities for the sporting goods industry.

A breakout year for SportsTech

2021 has been a record-breaking year for the SportsTech industry: Global funding into SportsTech companies reached $8.33b at the end of Q3 2021 and is expected to close above $12b at the end of 2021. This means that the first three quarters of 2021 have seen more funding than the entire years of 2019 and 2020 combined. And if the year-end prediction for 2021 is reached, the year combines more funding than the previous three years together.

What are the drivers for this development? The pandemic seems to have acted as an accelerator. This can especially be seen in the area of digital fitness, in which companies like Peloton, Tonal, Fiture, Tempo, Oura, Keep and others have thrived, all to enable consumers to work out from home and in a more connected way. On the other hand teams, leagues and associations have seen massive revenue decreases, as games and tournaments were often postponed, cancelled or run without any fans. As a reaction, they have turned to digital business models, with many of them participating in or setting up innovation initiatives and engaging with promising startups.

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Global SportsTech Funding 2017 - 2021*

Amount ($/b) - No of Rounds

* until end of September ’21
Another driver for the growth was NFTs, the megatrend of 2021, with companies like Dapper Labs, Sorare, Candy Digital, Zed Run or Animoca Brands making big headlines, and setting up an entirely new asset class. Last but not least: We have seen a range of big investments into the Fantasy Sports & Betting field, mainly driven to the opening of the North American market, with DraftKings, FanDuel, Fanatics, Mobile Premier League or Dream11 making big moves. A truly special time to be in SportsTech.

**But what is SportsTech?**

To provide a common understanding and structure we have created a holistic framework in 2017 which has since gone through various iterations. Our main questions were: Who is a solution serving? And what does it actually do? This is why the framework is organised into three sectors, which describe the respective target audiences: The Athlete (from pro to recreational level), The Sports Executive and The Fan. Levels two and three, the so-called sub-sectors and sub-sub sectors, describe the specific purpose a solution serves.

**A look at sporting goods**

The sporting goods segment is allocated in the “Activity & Performance” sector of the SportsTech framework, which accounted for 43.1% of the total investment since 2017. When looking at relevant trends within this sector the following topics stand out:

**Smart Equipment**

In a hyper-connected world, it is no surprise that sports equipment makes the step into the digital world as well. Basically, all traditional utensils now have their smart equivalent, from punching bags and dumbbells over insoles and mouthguards to rowing machines and spinning bikes. And if it’s not already built into the devices then there is a solution that can be attached to them, for example, smart dampeners for tennis rackets or add-ons for gym equipment. So the question arises: Will there still be “non-smart” equipment in the future?
**Smart Textiles**
While smart equipment is great, it can be taken one step further by building sensors directly into the apparel. It might still take some time to reach the mass market, and challenges like duration and reliability need to be solved, but a variety of companies are in the race to develop mature solutions. Once established, smart textiles and equipment can provide personalized, data-driven insights and recommendations. Further applications are in the overall health & wellbeing segment, yet another promising market.

**Recovery & Injury Prevention**
One of the biggest growth markets within the sector. While previously only pro athletes were able to afford these solutions, they have now found their way into the mass market. Preparing for and recovering from exercise are seen as essential as the workout itself. But physical regeneration is only one variable. A host of stressors, including nutrition, sleep, and mental health, can hinder success and cause injuries. Recognizing this fact, startups are seizing on this moment, laying the groundwork for a multi-billion-dollar category.

**What will the future bring?**
The mentioned topics aside, there are a few more developments on the horizon for the sporting goods industry.

**Activity-based rewards**
When activity becomes more and more measurable through smart equipment and textiles, companies might switch to loyalty programs that not only reward customers for their purchases but also the actual workouts and time spent with the products. This creates entirely new dynamics and positive feedback loops, building a strong bond between brands and customers, ideally leading to loyal ambassadors. That aside it also builds up a valuable pool of data and insights about a brand’s customers that can be used for further engagement.

**Exergaming**
In a world where attention is a rare good, many people choose the activity with the biggest entertainment factor. For the sports industry, this leads to a battle with Netflix, TikTok and other offerings. One way to approach this challenge is to add gamification elements to physical exercises, creating the so-called “Exergaming” category. Examples can be seen in solutions that use VR goggles for fitness activities in immersive worlds, or spinning bikes that act as controllers for games that are played on attached displays. This new field is only expected to grow, presenting a chance for brands to position themselves.

**Virtual goods**
With the latest boom in NFTs, it seems to be inevitable that virtual goods will become the next big thing. Not a few people expect that most physical goods will have a virtual twin or a certificate (both NFT based) that for example can prove their authenticity and track their lifecycle. However, the even bigger potential might be in “digital-first” goods which fit so well into the digital world we live in and that allows us to reach millions of people through our smart devices. Once virtual worlds, also referred to as the “Metaverse”, are fully experienceable, those goods become even more valuable.

The SportsTech industry is in a phase of strong growth, catching attention from investors, brands and customers alike. This might likely not only change the way sports are managed and consumed but also how we prepare for sports, do sports and recover from sports. At the brink of this new era, chances are there to be taken.