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Sporting Goods 2023: Industry braces for headwinds as consumer confidence drops below COVID-19 levels

ZURICH. For 2023, clouds are gathering on the horizon for the global sporting goods industry. Rising costs, the looming threat of larger recession, low consumer confidence and continuing operational challenges are set to create headwinds, according to the industry executives interviewed and surveyed for the report. In response, companies are looking to embed resilience into their operations by going beyond raising prices to boost productivity and finding the right balance between saving and investment. These are the key findings from the WFSGI and McKinsey latest annual report “Sporting Goods 2023 – The need for resilience in a world in disarray”, in collaboration with The NPD Group.

Solid growth in 2022 created a strong foundation

In many ways, the sporting goods industry has been in a fortunate position: Compared to other industries, the past two years have been characterized by solid growth, equaling or outperforming pre-pandemic levels.

In 2022 consumer sentiment was improving month-on-month, reflecting looser COVID-19 restrictions in most markets, companies were placing large orders, both in anticipation of demand and to avoid the supply chain challenges of 2021, and performance in the first half of the year was widely positive. However, inflation was picking up due to the impacts of the war in Ukraine, with higher raw material and energy costs prompting some companies to raise prices. In the meantime, consumer sentiment showed signs of deterioration (with -40% consumer's net intent¹ to purchase sporting goods items)², and discretionary spending declined. Supply chains gradually became more reliable, but the sudden increase in available product in destination countries paired with declines in spending led to widespread overstocking.

In the second half of the year, the economic outlook darkened, amid rising concern over geopolitical instability and the trajectory of interest rates—which tightened constraints on both companies and household budgets. The impact of these factors was a significant

¹ % of participants who expect to spend more minus % of participants who expect to spend less

² Source: McKinsey & Company Europe Consumer Pulse Survey, 9/23–10/2/2022, n = 5,156 (France, Germany, Italy, Spain, UK), sampled to match European general population 18+ years

weakening in industry performance compared with 2021 with a 4-8% sales decline in US in Q1-Q3 2022 versus 2021 across main categories³.

Challenging environment for 2023

Against this backdrop, 2023 is expected to be a challenging economic environment with continuing subdued consumer sentiment. This will require a wholistic approach from sporting goods companies to focus both on preserving demand and building resilience.

In 2023, four key themes will shape the industry:

1. **Brand relevance:** Sporting goods companies are among the most effective brand builders in the world. As consumer expectations rise and brand relevance deepens, brand building is expected to become more important.
2. **Sustainability:** Accelerating decarbonization and scale circular business models will be key for sporting goods companies to meet their aspirational sustainability targets
3. **Nearshoring:** In an era of supply chain disruption, more companies are likely to turn to nearshoring as an element of de-risking and speeding up their supply chain strategies.
4. **Investments in the industry – Sporting routes to profitable growth in private investments:** The success of sporting goods brands has attracted a wave of private investment. This is especially true for complementary brands, brands with an elevated digital interaction with consumers, and analytics at scale.

Alexander Thiel, McKinsey Partner and Leader of the Sporting Goods Practice in EMEA said: “2022 started off extremely well for the sporting goods industry. The war in Ukraine and rising inflation dampened consumer sentiment and led to a reduction of discretionary spend impacting the sporting goods industry. Measures of resilience will be key to staying strong during the recession and prepare for the return.”

Robbert de Kock, President and CEO of WFSGI said: “The sporting goods industry has been an industry that outperformed others in the past years showing significant recovery and growth in 2021 and into the first half of 2022. Unfortunately, 2022 brought a new multitude of challenges that we believe the industry will need to master through resilience. Together with our partners at McKinsey, our third annual sporting goods industry report reviews the market environment facing sporting goods players and goes on to closely analyze four trends for 2023. We aim to help the industry prepare and formulate a plan for success despite the approaching headwinds. We thank our McKinsey colleagues for the continuing excellent collaboration in developing and delivering this third annual report. We hope that our combined efforts continue to be a valuable contribution for WFSGI members, the wider sporting goods industry, and its stakeholders.”

These findings above are a summary from the WFSGI and McKinsey report “Sporting Goods 2023 – The need for resilience in a world in disarray”, in collaboration with The NPD Group. For the international study, the consulting firm and the industry association conducted several in-depth interviews with industry executives from Decathlon (CEO

³ Source: The NPD Group/Retail Tracking Service

Barbara Martin Coppola), Under Armour (interim CEO Colin Browne), Columbia Sportswear Company (CEO Tim Boyle), NIKE, SPORT 2000 International, Hirdaramani Group, Riese & Müller, adidas, and Pentland Group.

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ABOUT WORLD FEDERATION SPORTING GOODS INDUSTRY

The WFSGI is the world authoritative body for the sports industry officially recognized by the International Olympic Committee (IOC) as the industry representative within the Olympic Family. The WFSGI is an independent association with no objective of economic character for its own gain and formed by sports and sports-inspired leisure brands, manufacturers, suppliers, retailers, national/regional federations, industry and trade associations and all sporting goods industry related businesses. Our purpose is to represent and inspire the industry, to invest in innovation, promote physical activity, support free trade, and do business in an ethical and sustainable way. As part of our mission, we facilitate legally permissible communication and cooperation to enhance competitiveness and innovation. We seek to positively influence the way our products are manufactured, with a focus on people involved in the manufacturing and the environment. Our members are steering the direction of the industry. The future of the sporting goods industry begins with the professional networks that we support.

For press enquiries, please contact:

Linda Dommes, Communication Specialist, McKinsey Germany
+49 175 318 4376
linda_dommes@mckinsey.com

Stefanie Burkert, Communication Consultant, World Federation of the Sporting Goods Industry
sburkert@wfsgi.org