

New Times - New Challenges & Opportunities for Global Sports Brands and the International Sporting Goods Industry



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Martin Roll is CEO of VentureRepublic, the leading strategic advisory firm on Branding Excellence. He delivers the combined value of an experienced international branding strategist, a senior advisor to boards and management teams and an internationally renowned speaker and sought-after workshop host.

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Lars Wiskum is a leading Senior Advisor and Strategic Consultant to the International Sporting Goods Industry. He is also the founder and CEO of SportVenture - a strategic advisory firm. Through more than 25 years he has been working with management and marketing - building international brands like Champion and others in his national markets.

Since 2001 he has been working as international senior consultant and branding advisor for new sports brands like Li-Ning, China and ZO-ON, Iceland and as a writer and business consultant for Scandinavian sports trade magazines and fitness magazines.

Based in Denmark Lars Wiskum is also engaged in entrepreneurial innovative activities within the music business and as a partner in F-Pilots, a coaching company specialising in future consumer behaviour and trends.

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January 2005 - WTO agreements and the end of quotas between China and other countries. Athens hosted successfully the Olympic Games, but IOC, China, athletes in all countries and the sporting goods industry is already warming up for the first Olympic Games in China in Beijing in 2008.

Global economy and optimism is moving forward again. Global sporting goods business too. Through the last 2 years most of the leading sports brands in our industry have presented record breaking sales results and profit increases, although some experts and lifestyle analysts claim that brands have to fight harder in our mature western markets to justify their brand value and prices against private label business. But on new markets in Asia and other emerging markets millions of new brand mad consumers are looking for status and spending high amounts of their income on global brands.

The balance and development of the global sporting goods market

According to figures from WFSGI and Goldman Sachs & Co. Research in 2002 the sporting goods industry and all major sports brands were dealing with a sports market valued at USD 92 billion in 2000 - the largest market in the world. The US market represented 50% and the 15 EU countries another 38% of the total market registered in

2000. No or very limited information about market sizes in China, Russia or other emerging markets was available.

With rapid growth in China, Russia, new EU countries and other emerging markets around the world the global battlefield for the sports brands will have grown to around USD 175 billion already in 2006 and have passed the USD 200 billion in 2010. And in 2015 - just 10 years from now? see figures 1, 2, 3 and 4.

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Development in sportsmarket 2000-2015

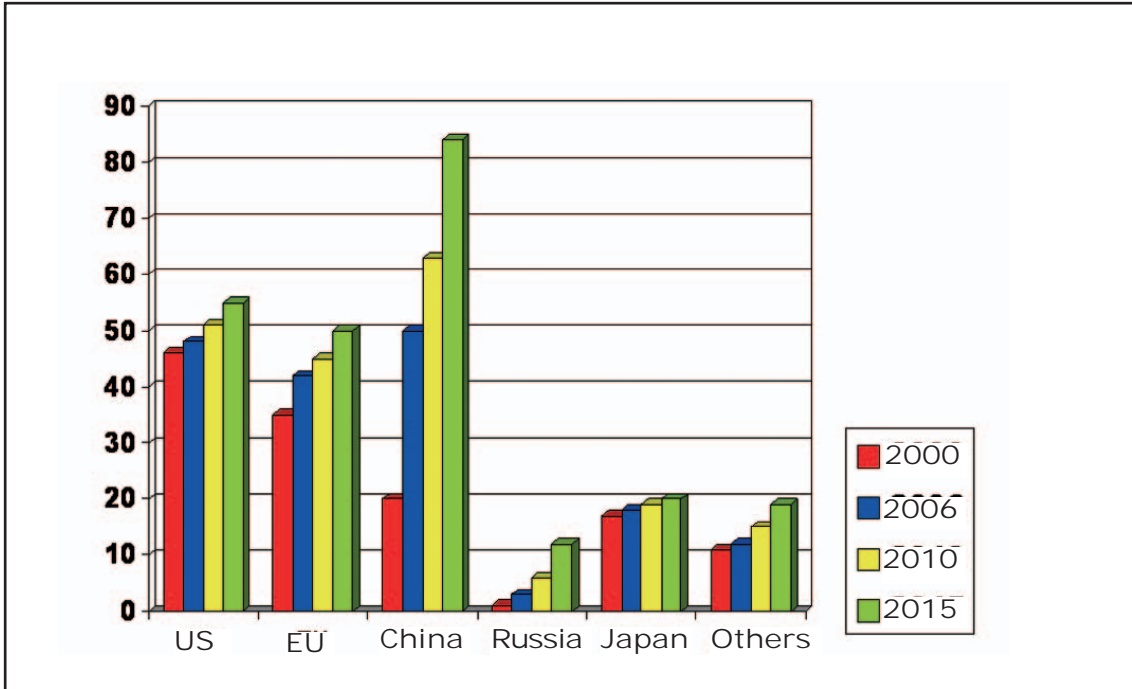


FIG 1: Estimated total volume of the sporting goods market (athletic and sports clothing, footwear and sports equipment. Based on data from JASPO, NSGA, FESI, RASIE, EAC analysis, SGI and own estimates. All in billion USD.

Market shares (2000)

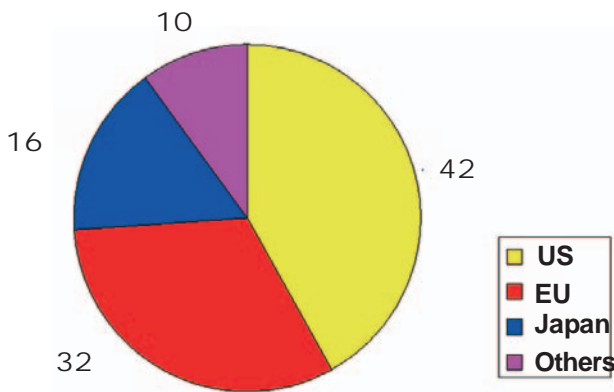


FIG 2: Estimated market shares in 2000. Based on data from JASPO, NSGA, FESI, RASIE, EAC analysis, SGI and own estimates. All in billion USD.

Market shares (2006)

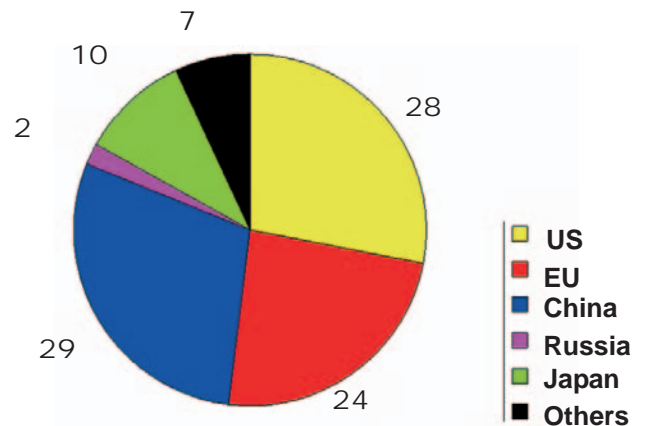


FIG 3: Estimated market shares in 2006. Based on data from JASPO, NSGA, FESI, RASIE, EAC analysis, SGI and own estimates. All in billion USD.

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Market shares (2010)

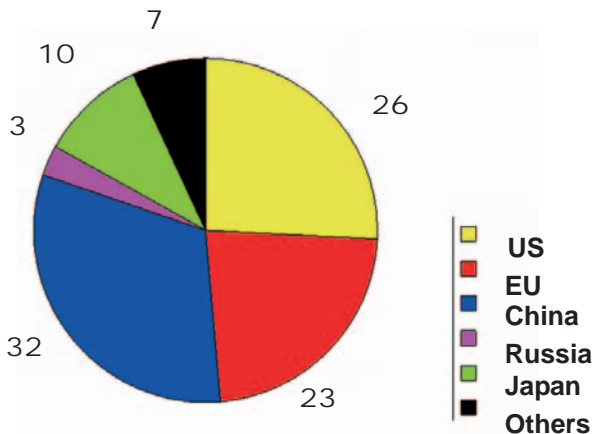


FIG 4: Estimated market shares in 2010. Based on data from JASPO, NSGA, FESI, RASIE, EAC analysis, SGI and own estimates. All in billion USD.

Consumer is King - catching the attention of butterfly consumers in the competitive western markets.

When Adidas, Nike, Reebok and most other sports brands started building their brands and brand awareness internationally consumers were predictable and could easily be segmented by marketing people. Europeans were dressing, eating, sleeping and behaving like Europeans. Likewise Americans. Today the international scene is much more a melting pot. "The worlds most famous rapper is white - and the worlds best golf player is black" (from Karaoke Kapitalism).

In our mature markets with too many brands and products looking alike consumers look for original products with a heritage and value added to the product. Consumers look for excitement, new experiences and differentiation. Innovative young people are tired of dress codes and are creating new approaches toward lifestyle and fashion - more individual and more personal approaches.

Through the 90ties and into the new millennium the sporting goods industry successfully has managed to grab a very big bite of the lifestyle-oriented business in sports, leisurewear and shoes. According to research more than 65% of worldwide sales of Puma products comes from the sports lifestyle segment and many global sports brands have managed to take advantage of the past years retro trends, where fashion and sport has been melting together, leading to record results in sales and profits for most of the sports lifestyle and sports brands. But the young consumers, who have contributed to this growth, are getting more difficult to catch creating their individual style of fusionwear.

Toward 2010 Asian and Oriental influence on the major markets in USA and Europe could become mainstream,

Market shares (2015)

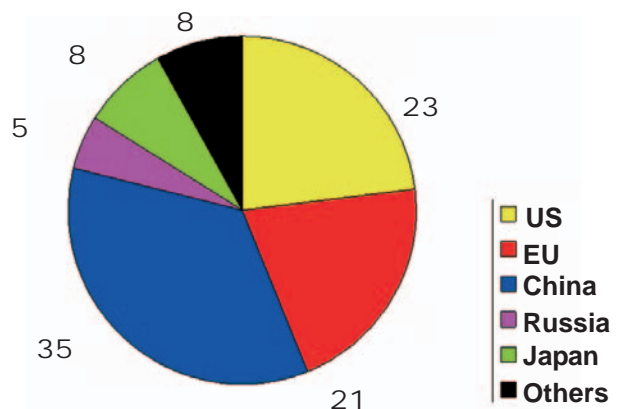


FIG 5: Estimated market shares in 2015. Based on data from JASPO, NSGA, FESI, RASIE, EAC analysis, SGI and own estimates. All in billion USD.

according to tendency studies made by Institutes for Future Studies.

Other major emerging markets than China like for instance India, Brazil and Russia will be catching up on the marketing and communication side and could be entering the international scene with new concepts and brands for sports.

More focus on sports, health, wellness and sport as entertainment worldwide

We are all part of an industry that brings happiness and good health through sports and physical exercise worldwide. But our visions, creativity and innovation is clearly needed more than ever before.

A growing worldwide obesity crisis and lack of exercise presents challenges for the industry.

Consumers in many industrialised countries will have more time and money to spend on sports, leisure, outdoor activities, etc. and will be looking for new technical sports products.

A growing wellness industry and consumers, who care more about their health gives new opportunities to all companies and federations within the industry.

In most Western countries we have a growing number of older people with money to spend on technical products for the great outdoors.

And all new and fast growing markets around the world have millions of enthusiastic people getting involved in sports and physical activities.

Sport tourism is considered a fast growing area and multi-billion dollar business already today and the sports fan culture around the world is growing steadily.

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Brandworld China heading for Beijing 2008 - but can China Build International brands?

Citius, Altius, Fortius! Four more years and the scene will be set again for the biggest sports show on earth. In the western world we have got use to this circle of sports life - but heading for the Olympic Games in 2008 in Beijing a new dimension will be added to the Olympic Show, the sporting goods industry and the world of international sports and the 4 years of the warm up period.

A journey of unbounded opportunities has begun for 1,3 billion Chinese people (20 % of the population of the world) for the first time in history. A journey toward commercial success in China- and even more for establishing credibility and success in the global marketplace through building a brand and a reputation for China, for the Chinese people and for all the fast growing Chinese companies.

Olympic Games in Athens in 2004 was successfully organised by one of the smallest countries in the world ever to stage this enormous sporting event. In 2008 China - the biggest nation in the world backed by an amazing 94,5% of the 1,3 billion Chinese people supporting the Chinese Olympic hostage according to BOGBC polls - hopes to be hosting the best Games ever in Beijing. A window to the world attracting business to a rising superpower in sports and in the branded sporting goods and apparel industry.

For some years China has already dominated the manufacturing of products to the global sporting goods business as an original-equipment manufacturer (OEM) - producing app. 60% of apparel, shoes, accessories and equipment to the entire international industry.

From 2005 when quota restrictions on Chinese produced textiles according to the WTO agreements would be history industry experts believe that production prices will drop 15-20% leading to more OEM production for China.

Today China represents app. 4% of the world economy but 16% of the world economy growth and is expected to be the second largest economy of the world in 2017 according to J.P. Morgan.

All major global brands are attacking the big and fast growing Chinese sports market - and we will be seeing Chinese brands take up the challenge in the international markets. But also other emerging markets like Russia, India and Brazil are maturing and presents new challenges and opportunities for all players in the international sporting goods industry.

The struggle for identity of a rising brand power.

On the Interbrand Annual ranking in Business Week of the top100 global Brands the sporting goods industry is represented by Nike (no. 31 in 2004 with a listed brand value of US\$ 9.269 mill) and Adidas (no. 69 listed with a value of US\$ 3.740 mill).

Going through this list of the most valuable brands and succesfull companies we do not find any brands or companies from China. Yet!!!

Asking consumers in any country - except from China- they would probably have difficulties in naming just one Power brand from any product category from the biggest

sourcing country and one of the fastest growing economies in the world right now.

In China today you have a great selection of most of our favourite global brands and a variety of traditional unbranded Chinese textiles -and still have to search for new and growing Chinese textile and fashion brands. But that is quickly changing.

The biggest nation in the world has a long tradition for sports. And within the sports apparel, shoes and accessories category Li-Ning has managed to establish a remarkable brand loyalty on 53,4% in China compared to app. 40% for the leading international brands and a few other national Chinese brands like Anta and Shuangxing are doing very well in the Chinese loyalty stakes, according to studies by Horizon Research on leading sports shoe brands in China.

Times are changing quickly in China according to experts and scientists on future consumer studies. Within the next 5-10 years we will see the first Chinese brands enter the top 100 list of global brands. It could be Haier Group (Refrigerators,etc.), TCL Corp. (TVs), Legend (now Lenovo Group - computers,etc.) Tsingdao Beer or maybe a sports or fashion brand?

Sports celebrities will drive Chinese sports brands

Chinese sports stars are increasingly seen on the world stage, which creates new dimensions for sports marketing in China. The 2008 Olympics in Beijing will fuel this further, and direct the entire world's attention on China and sports. Until now, the Chinese talent pool has not been as visible as in the Western world, but it is catching up quickly. In the future, local top athletes will be used in the same fashion as movie and television stars.

Yao Ming and Li Tie (basket ball for Houston Rockets star, and soccer for English Premiership League (EPL) with Everton) are helping to put focus on Chinese sports marketing, and are the best examples of the kind of power the future Chinese sports stars would be able to command. It is said that Yao Ming will become the sports star with the highest income ever.

Multinational brands have invested heavily in sports in China, and local athletes are building up their reputation and image along with these investments in getting footholds in the local market.

Adidas has struck a deal with the China Football Association mentioned to be the largest sports marketing deal to date. Adidas believes that China will develop into a leading soccer player, and the new contract runs to 2010. The company will help train talent in soccer on elite as well as grass root levels. Adidas has paid 10 mill. USD, but despite the high price, it is regarded as a strategic investment taking into account the vast audience in China. Nike has figured out how to conquer the Chinese market. Sales are skyrocketing in China and they are opening more than one new store a day. And Reebok has successfully benefited from the cooperation with Yao Ming and the entrance of the NBA organization in China.

Asians have great affinity for brands endorsed by local celebrities, and it is therefore an important part of an integrated sports marketing strategy to consider using strong local top athletes to get a foothold of the

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Chinese market. Yao Ming had shown that this strategy can work in and outside of China.

Asian Brands will develop international brand strategies

Potentially, the New Asia is a competitor to the Western world and its traditionally strong representatives of global brands. Asia has changed dramatically over the last two decades and now represents strong product quality, a very well educated and competent workforce, powerful financial sources, endless R&D capabilities, a rare passion for technology & gadgets and a growing infrastructure in most countries. Not the least, the glooming Chinese powerhouse is an important supplementary factor which positions Asia firmly in the international arena for sports brands with unique appeals.

The growing emphasis on international branding will move up the boardroom agenda and we strongly believe that branding will become one of the most prominent drivers of value in Asia Pacific in the next two decades. Businesses with a sustainable business model and with a visionary and passionate CEO with branding talent will benefit from the rising opportunities for taking on the global scene. But having the branding know-how and marketing technology is no longer adequate. The modern Asian sports company leader needs to be a complete player who covers all grounds and have the vision to follow through and improve. Being a marketing wizard is no longer enough. One also has to be an excellent business leader and brand marketer with a truly international edge on the sports scene.

Will today's number 1 sports brands be tomorrow's winner when major new markets enter the global business and new players enter the scene?

"\$100 million is way too much to pay for Microsoft" **IBM, 1982.**

"We do not like their sound, and guitar music is on the way out" **Decca Recording Co. 1962 rejecting The Beatles.**

In the future industry leaders must be excellent brand managers. Product innovation is essential for success but companies must also be able to master the technology and understand the consumers.

The Sporting Goods Industry is changing and we are all heading for new challenges in our growing industry. Globalization is inevitable and the fine lines between sports and fashion are blurring. Marketing strategies for brands are changing emphasizing experience more than image, as consumers are getting immune to advertising and traditional marketing.

Lars Wiskum & Martin Roll