

Surviving the Pandemic Storm :

Sports & Outdoor
Industry's Recovery
in the US Economy



Executive Summary

The US economy has been on a roller coaster ride in the last 18 months. Consumer sentiment has also been volatile in recent months. Consumer confidence was high in early 2021, but it has declined steadily since then. This is due to a number of factors:

- Inflation has led to higher prices for sports & outdoor equipment and apparel, which has made it more expensive for consumers to participate in sports and outdoor activities.
- Interest rates have risen, making it more expensive for businesses to borrow money and invest in the sports & outdoor industry.
- The war in Ukraine has led to increased uncertainty in the markets, which has impacted consumer spending on discretionary items, such as sports & outdoor equipment and apparel.

As consumers navigated through uncertain times, there was a significant increase in demand for essential goods, including groceries, personal care products, and household essentials. Retailers swiftly adapted to these changing consumer needs, optimizing supply chains, and implementing contactless delivery options to meet growing demand.



Have you ever wondered what happened to categories like Sports & Outdoors?



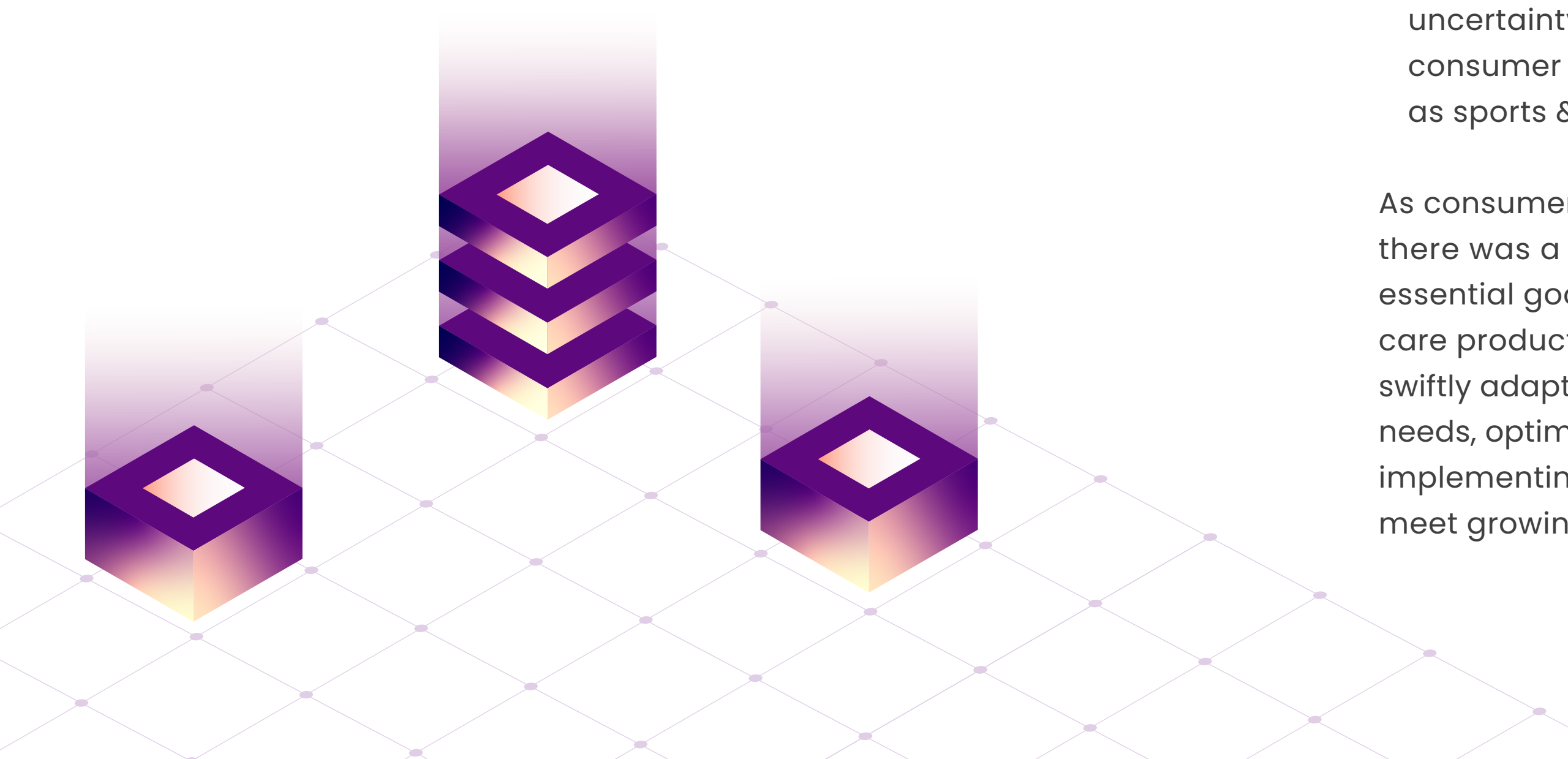
How macroeconomic factors, consumer sentiments have impacted this industry?



How retailers & brands are preparing to respond to this?

This comprehensive industry report delves into understanding above and presents a detailed analysis of the impact on Sports & Outdoor segment, in the US over the last 18 months. The report delves into the economic, pricing, and assortment trends, with a special focus on the post-COVID-19 impact on consumer behavior.

Iksula deep dives into this using our Product Intelligence Stack where we have tracked 500Mn products across larger ecommerce platform for assortment, price, content, consumer review etc. Decision-makers can leverage insights from our “**Product Intelligence Stack**” to make informed strategies, capitalize on emerging opportunities, and mitigate risks effectively.

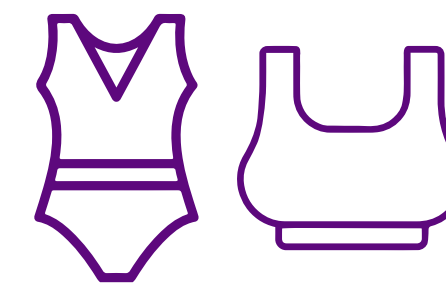


The report highlights notable shifts in within the industry during post-covid era, below are the major highlights from the report



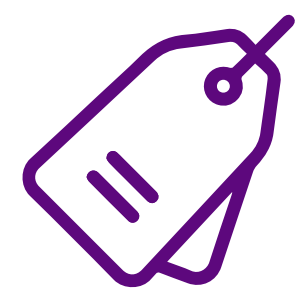
+10% compound annual growth rate

Athletic footwear & sportswear CAGR > 10% (2019-2021), slowed in 2022 due to economic pressure.



-12% revenue decline **-11%** revenue decline

Swimwear & sports bras: Revenue declines by 12 % and 11%.



+3.5% increase in average selling price

Sportswear brands: Decline in 4% revenue, 7.3% decrease in unit volume; this drop was mitigated by 3.5% increase in ASP.



\$29 average selling price

Sportswear ASP dropped: \$52 to ~\$29.



+22% revenue growth

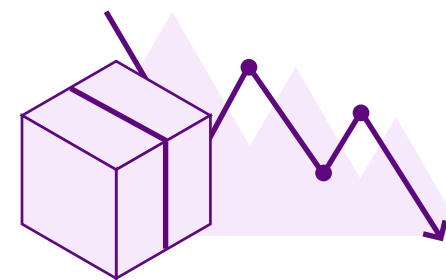
22% revenue growth compared to 2019, despite decline.



-6% revenue decline

Athletic footwear: Decline in 6% revenue, Decrease in 8% units sold; offset by a 2% increase in ASP.

The report highlights notable shifts in within the industry during post-covid era, below are the major highlights from the report



-7% decline in units sold

Team sports equipment: Increase by 2% revenue but decrease in 7% units sold (2022).



\$234 increase in average selling price

Equipment category size reduced, ASP rose from \$151 to \$234.



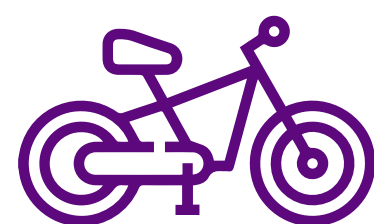
+0.2% increase in revenue

Outdoor category: Increase by 0.2% revenue (2022), 24% higher compared to pre-pandemic; despite decrease in 4.5% units sold, 5% rise in ASP.



+29% price increase

Men's running shoes: Increase of 29% price (2022).



-10% revenue decline

Cycling: Decline in 10% revenue, decrease in 17% units sold; but increase in 9% ASP.



+16% increase in revenue

E-bikes: Increase by 16% revenue compared to 2021, 400% grown since pre-pandemic period.

Research Team

Core Team



Abhishek Jain

Abhishek leads the solutions and accelerators development function at Iksula. He has over a decade of experience advising global ecommerce companies on strategy, eCommerce operational models and technology stacks.



Yatendra Singh Ranawat

Yatendra is a Product Manager with Iksula. He drives Product Strategy and development for Iksula's solution portfolio. He also manages the Product Intelligence and Product Content Solutions.



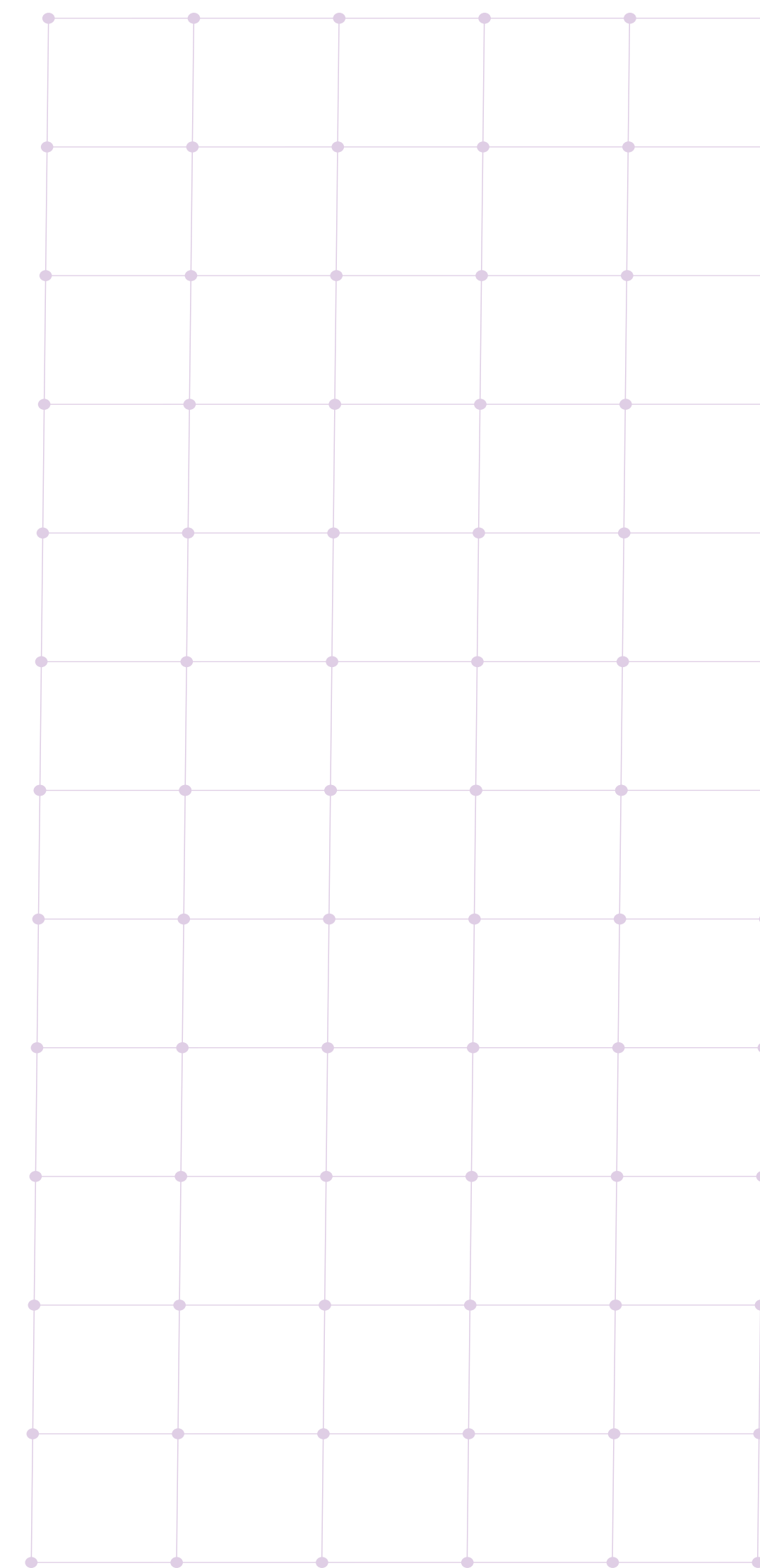
Antara Ambardekar

Antara is a **Senior Solutions Consultant, eCommerce Analytics** with Iksula. She drives the analytics component of the solution portfolio. She also consults our customers in defining and building their ecommerce data use cases.



Aman Gupta

As our **Senior Manager, Industry Solutions** Aman leads the eCommerce operations solutioning with Director-Solutions. He is also responsible for creating proposals, developing advanced solutions, and consulting clients on eCommerce best practices.



Industry performance in 2022 and forecast for 2023

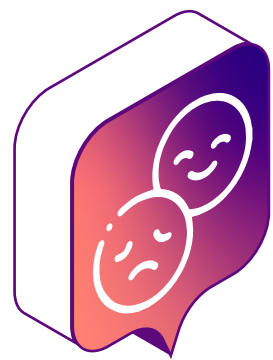


Sporting Goods Industry Performance in 2022

2023 FORECAST

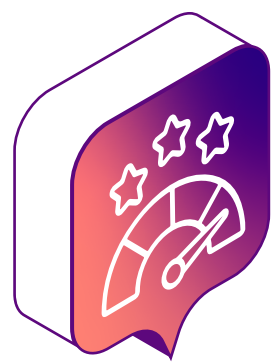
Challenging economic environment, companies need to focus on maintaining demand and increasing resilience.

Need a comprehensive strategy encompassing effective sourcing, supply chain management, productivity, operational efficiency, and cash flow management.



Consumer sentiment

- Reduction in Covid-19 restrictions and improvement in customer sentiment
- Increasing inflation, pessimistic economic outlook and decrease in discretionary spending



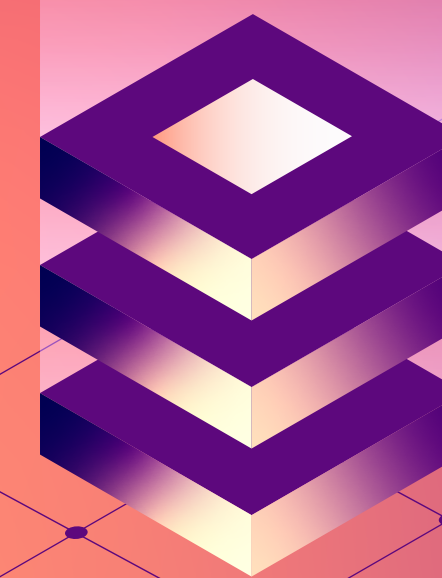
Industry performance

- Easing supply chain disruptions, companies placed significant orders to address adequate supplies to address increased demand
- Increased supply chain reliability, decrease in customer demand led to widespread overstocking, attempts to raise prices didn't fully compensate for lower demand



Verdict

- Unit sales declined over the year. Weaker performance compared to 2021 but higher than pre-covid levels



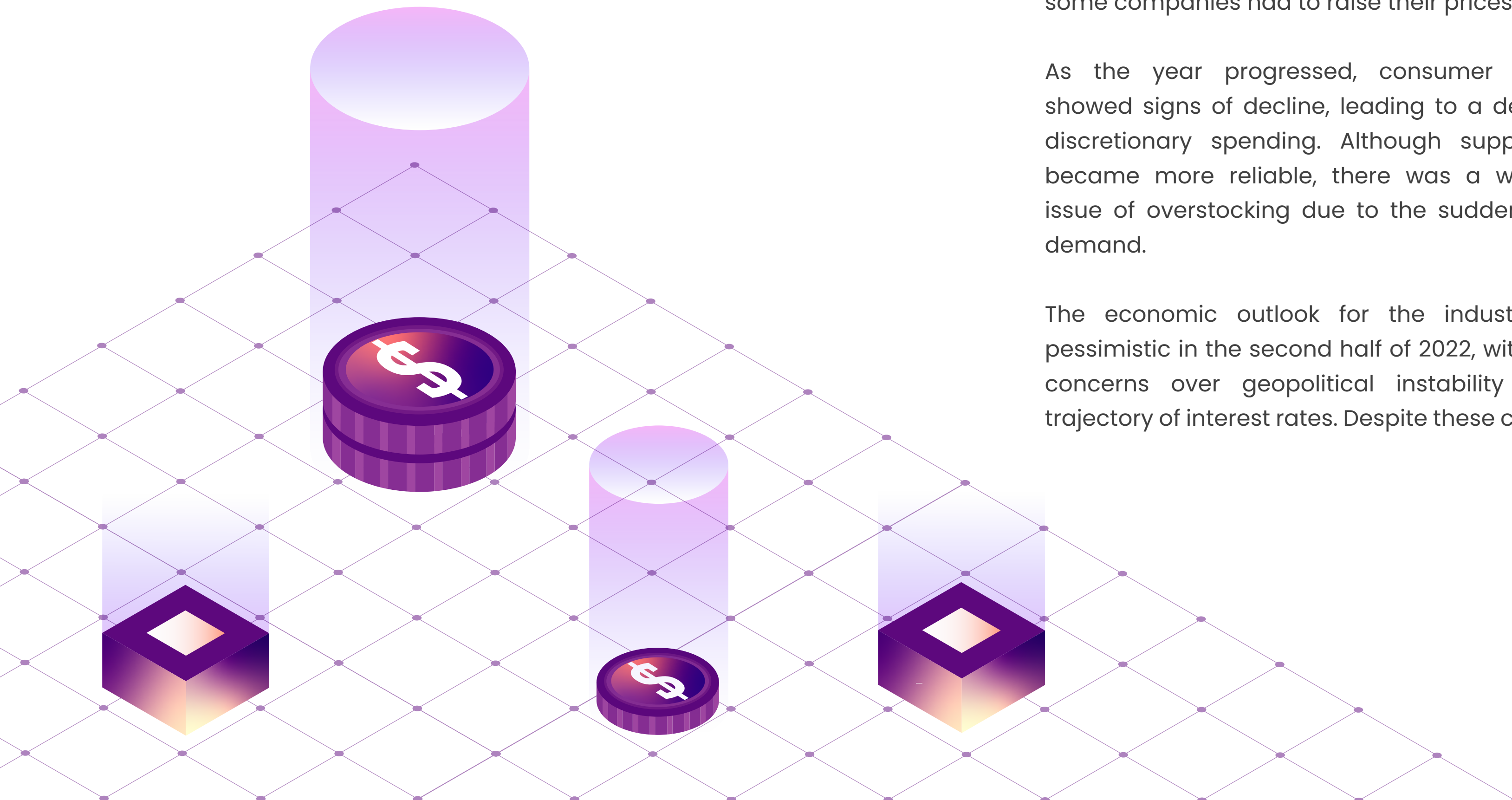
The sporting goods industry had a promising start to 2022, with an improvement in consumer sentiment and gradual reduction in Covid-19 restrictions. Coming off the Covid-19 induced severe supply chain disruptions, companies proactively placed substantial orders to ensure adequate supplies. However, inflation began to rise due to factors like the war in Ukraine, affecting Europe, and increased costs of raw materials and energy. Consequently, some companies had to raise their prices.

As the year progressed, consumer sentiment showed signs of decline, leading to a decrease in discretionary spending. Although supply chains became more reliable, there was a widespread issue of overstocking due to the sudden surge in demand.

The economic outlook for the industry turned pessimistic in the second half of 2022, with growing concerns over geopolitical instability and the trajectory of interest rates. Despite these challenges,

the industry's performance in 2022 weakened significantly compared to the previous year but remained better than the pre-COVID levels.

Sporting goods companies attempted to raise prices to offset the decline in units sold, but it was not enough to fully compensate for the overall decrease. Moreover, certain categories within the industry performed better than others, presenting both risks and opportunities for individual players in the market.



Outlook in 2023

In 2023, the sporting goods industry is expected to face a difficult economic environment and low consumer confidence. To navigate these challenges, companies must prioritize maintaining demand and increasing resilience. This involves a comprehensive approach that goes beyond merely adjusting prices, encompassing aspects like sourcing, supply chain management, productivity, operational efficiency, and cash flow. The insights provided aim to assist decision-makers in understanding key trends for the upcoming year.

While the macro impacts of the current environment played out across segments, individual category performance varied considerably. Here we analyze the performance of various sub-categories in the US:



Deeper insights into categories



OVERVIEW

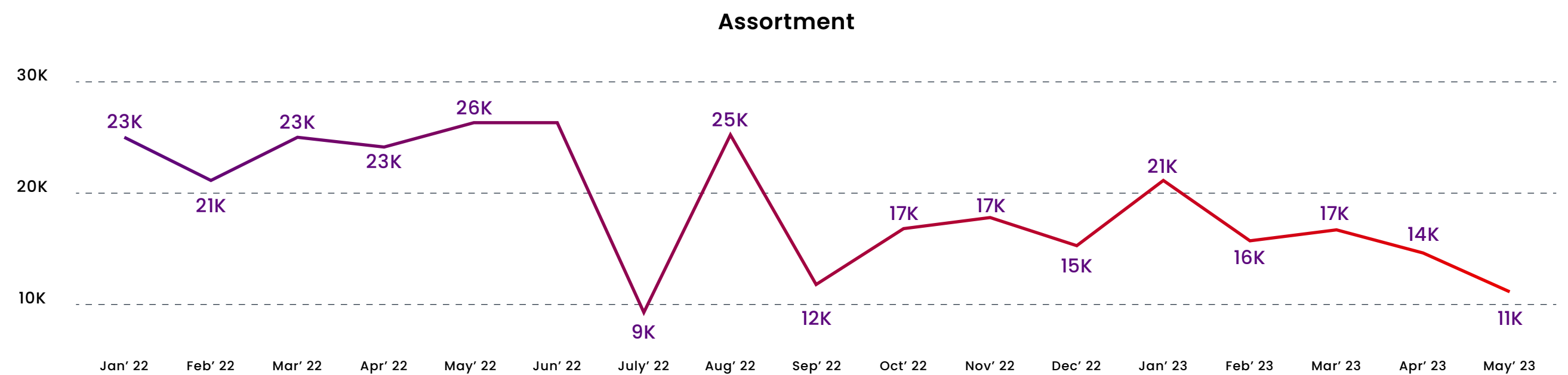
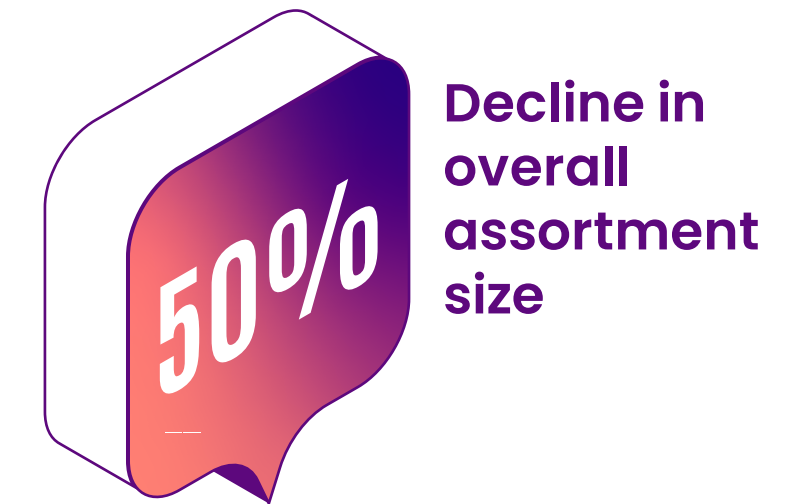
Athletic footwear and sportswear

Athletic footwear and sportswear segments demonstrated robust growth in 2021, with a compound annual growth rate (CAGR) of over 10 percent between 2019 and 2021. Unfortunately, this momentum came to a halt in 2022 due to economic pressures, resulting in a decline in consumer demand.

Additionally, the shift towards direct-to-consumer distribution strategies did not yield the expected results for certain brands. The adoption of conservative assortments further highlighted the commercial deficit, making growth prospects even more difficult. In response to excess inventory, brands increasingly relied on promotional activities to bolster sales.

Iksula tracked the Athletic footwear and sportswear category on Amazon US over a period of 1+ year starting Jan 2022 till May 2023.

Amazon observed a gradual decrease of overall assortment size across the year. The total assortment size started at upwards of 23,000 and stopped at around 11,000 in May 2023.



OVERVIEW

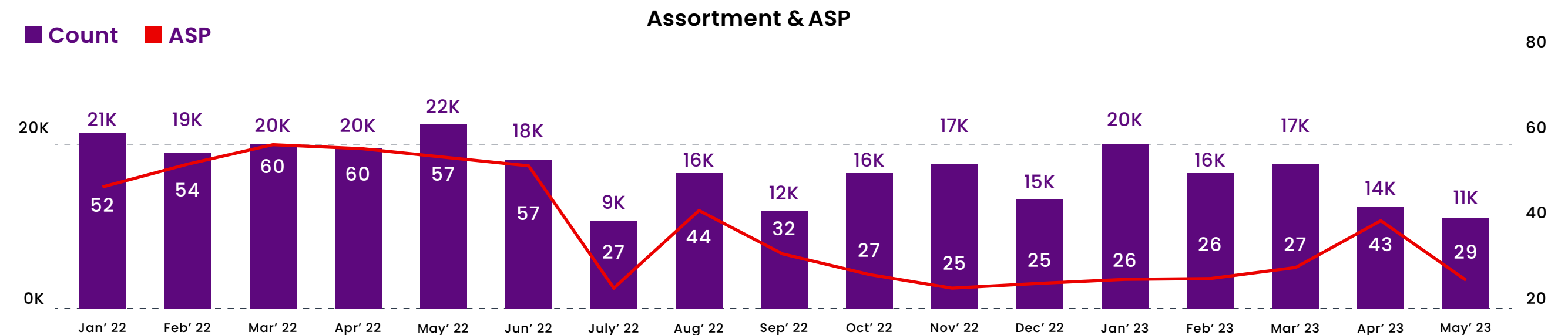
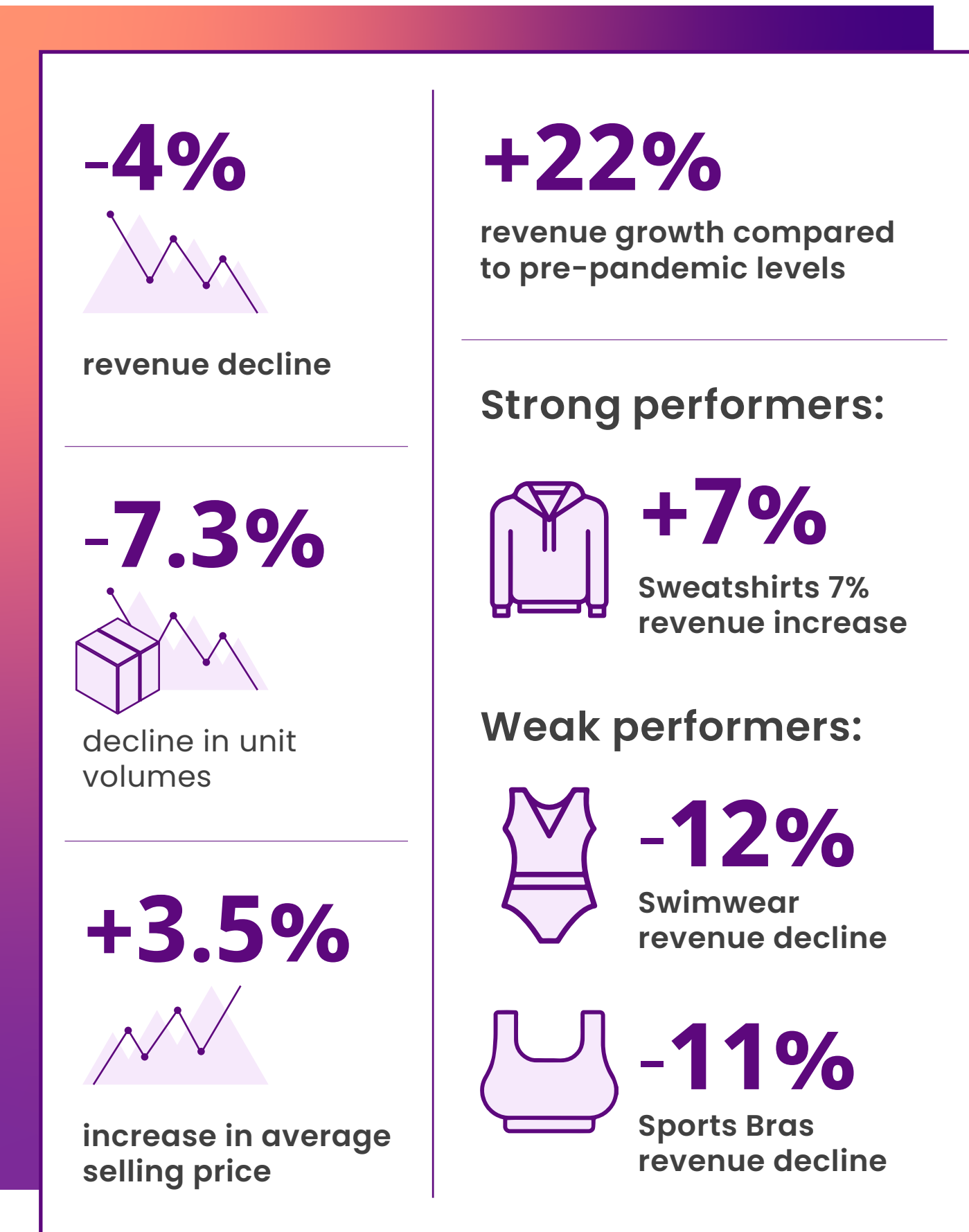
Sportswear brands



Under the category of athletic footwear and sportswear, a significant majority of the share is accounted for by sportswear products. In January 2022, out of a total of 23,000 assortments, a staggering 21,000 belonged to sportswear, with the remaining being allocated to athletic footwear. Several noteworthy trends were observed specifically within the sportswear segment:

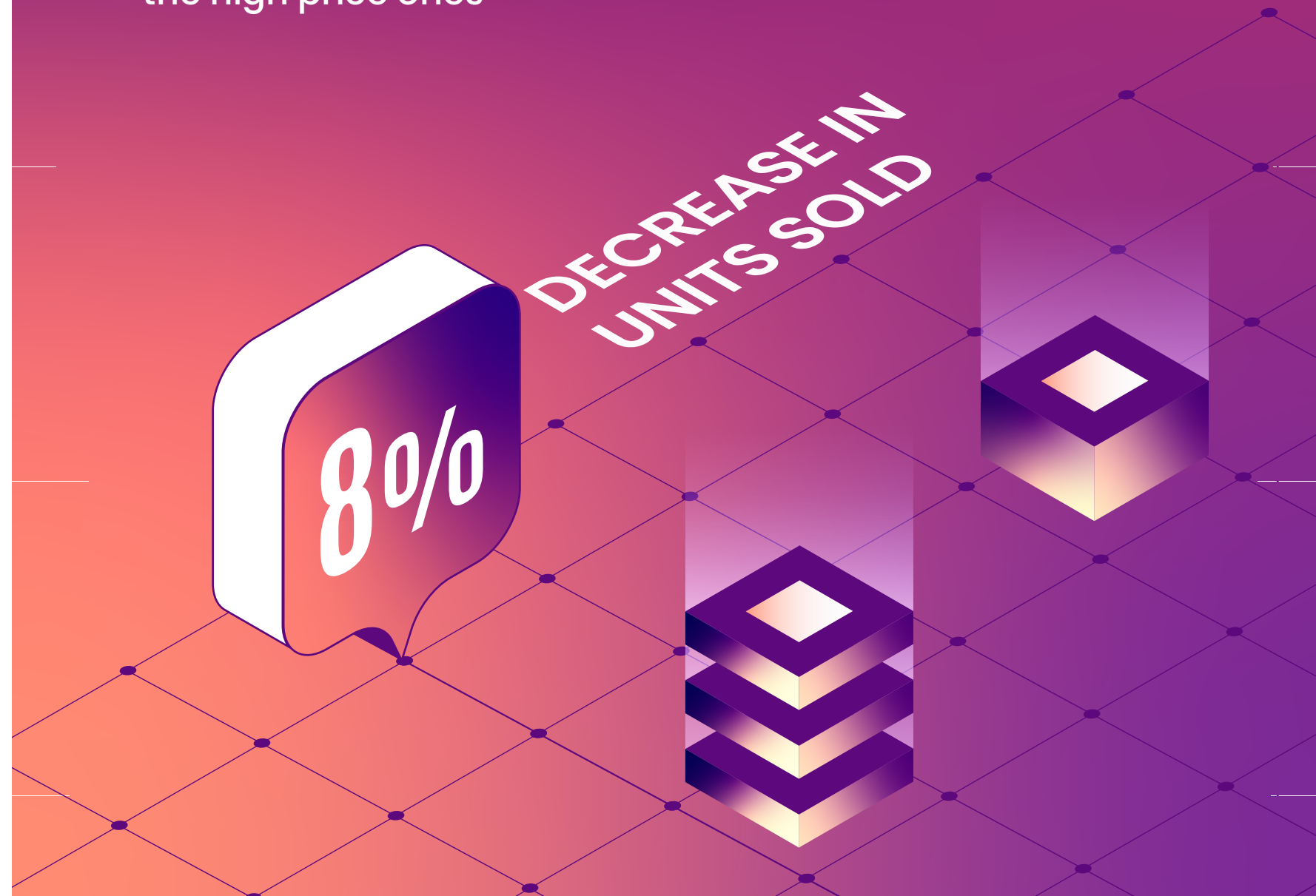
Decline in Assortment Size: Over a period of 17 months, the overall assortment size for sportswear products witnessed a substantial decline. It decreased from the initial 21,000 assortments down to approximately 11,000 assortments. This represents a significant reduction in the variety and number of sportswear products available in the market during that time frame.

Decrease in Average Selling Price (ASP): Concurrently, the average selling price (ASP) of sportswear items also experienced a notable downward trend. Starting from \$52, the ASP fell to around \$29. This decline in ASP may be linked to the overall decrease in the assortment size. With fewer high-priced items available in the market, the overall average selling price for sportswear products decreased.



Under athletic footwear and sportswear, the majority of the share is for sportswear. In Jan 2022, 21K out of 23K assortments belonged to sportswear and rest to Athletic footwear. Few trends which were observed on Sportswear were around:

- † Decline is overall assortment size from 21K to ~11K in a period of 17 months
- † The ASP also moved down from \$52 to \$29, the downfall of ASP may be attributed to decline in the assortment and majorly the high price ones



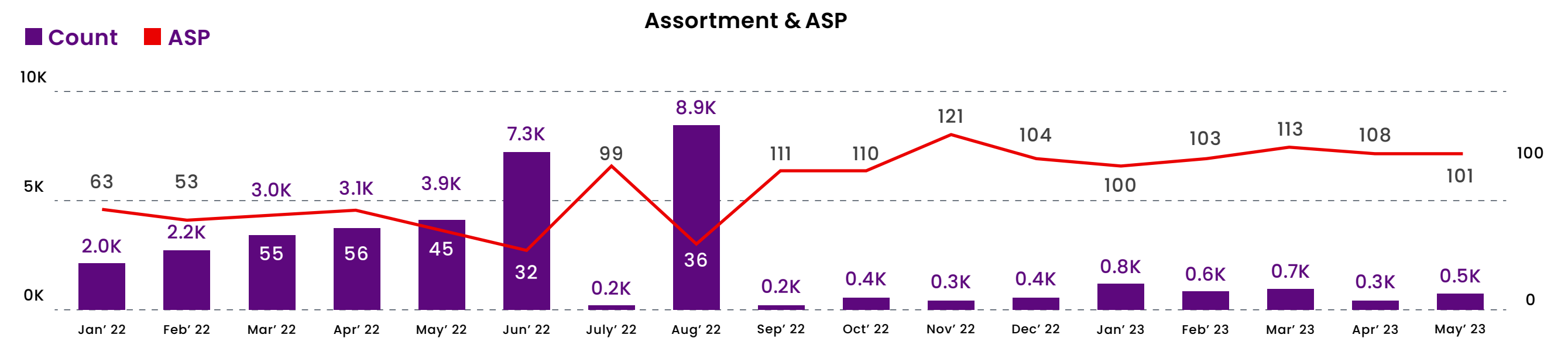
Athletic footwear

Athletic footwear experienced a decline in revenue, amounting to 6 percent. However, it's important to note that this decrease occurred in the context of a significant 13 percent rise compared to the pre-pandemic period. The drop in revenue was primarily driven by an 8 percent decrease in units sold, although there was a slight 2 percent increase in the average selling price (ASP) of athletic footwear.

Among the various subcategories within athletic footwear, soccer products stood out as the best-performing segment, achieving an impressive 13 percent revenue gain compared to the previous year (2021). Additionally, the walking sub-category also displayed strong performance, with revenues increasing by 8 percent.

Looking at a slightly longer-term perspective, certain sub-categories witnessed significant price rises. For instance, men's running shoes experienced substantial price increases of 29 percent in 2022, compared to the prices observed in 2020.

These trends in revenue, units sold, and average selling prices highlight the dynamic nature of the athletic footwear market and the varying performance of different sub-categories within the industry. Understanding these fluctuations is crucial for businesses to adapt their strategies and offerings effectively in response to changing consumer preferences and market dynamics.



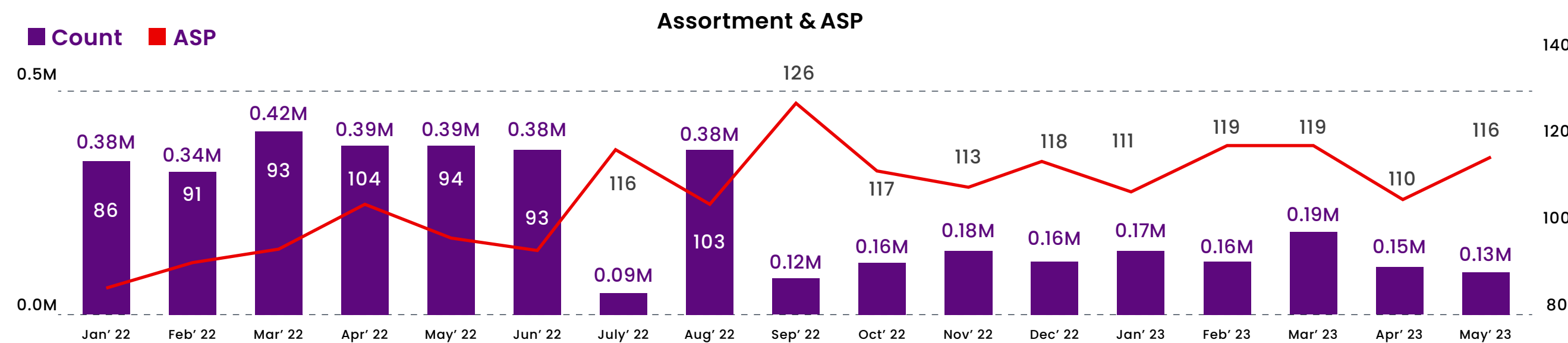
Outdoor Category

The outdoor category demonstrated resilience by bucking the negative trend in 2022, reporting a 0.2 percent increase in revenues compared to the previous year, despite experiencing an impressive 11 percent growth from 2019 to 2021. In 2022, revenues were 24 percent higher than pre-pandemic levels, despite a 4.5 percent decrease in units sold and a 5 percent rise in the average selling price (ASP). Within the outdoor category, the apparel and accessories sub-categories experienced growth at 3 percent and 5 percent, respectively, while equipment and footwear sub-categories faced declines of 4 percent and 3 percent.

The increased sense of safety among consumers when engaging in outdoor activities contributed to the overall boost in the outdoor category. This trend was particularly evident in the contrast with indoor-focused sports like swimming, which saw a decline, partially due to facility closures, possibly driven by rising electricity costs. In the United States, outdoor activities predominantly revolved around "backyard" themes, leading to a surge in demand for categories like camping equipment.

Examining Amazon data for the outdoor category from January 2022 to May 2023 further revealed a rise in ASP. The average selling price increased from \$86 to \$116 during this period, while the assortment size decreased from 0.38 million to 0.13 million. This shift can be attributed to a decline in the availability of low-priced products on Amazon US, resulting in a higher overall ASP for the outdoor category.

The data indicates a clear shift in consumer preferences towards outdoor activities and the resulting impact on the outdoor category's performance, signalling opportunities and challenges for businesses in this market segment.

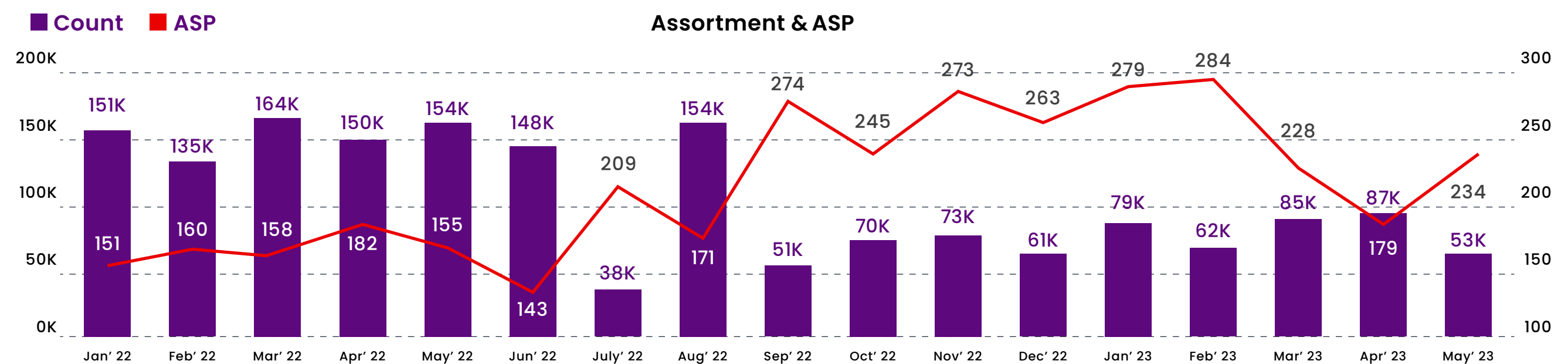


Equipment

Equipment categories: In 2022, the equipment categories experienced more moderate gains or declines, following exceptional performances in 2020 and 2021. This can be attributed to the nature of equipment purchases, which are often considered long-term investments, resulting in fewer repeat purchases compared to other products. However, over the period from 2019 to 2021, the equipment category still achieved impressive growth at a compound annual growth rate (CAGR) of more than 20 percent, surpassing the expansion rates of both apparel and footwear segments.

Furthermore, the equipment category also observed a reduction in assortment size, indicating a more focused selection of products. Despite this, there was a steady increase in the average selling price (ASP) of equipment items during the same period. The ASP rose from \$151 to \$234, reflecting a substantial rise of approximately 55 percent throughout the year 2022-23.

Overall, while equipment categories experienced fluctuations in 2022, their long-term growth trajectory remained positive, driven by a strong CAGR over the previous years and an upward trend in average selling prices. This data suggests that consumers continue to view equipment purchases as significant investments, influencing their buying behavior in this category.



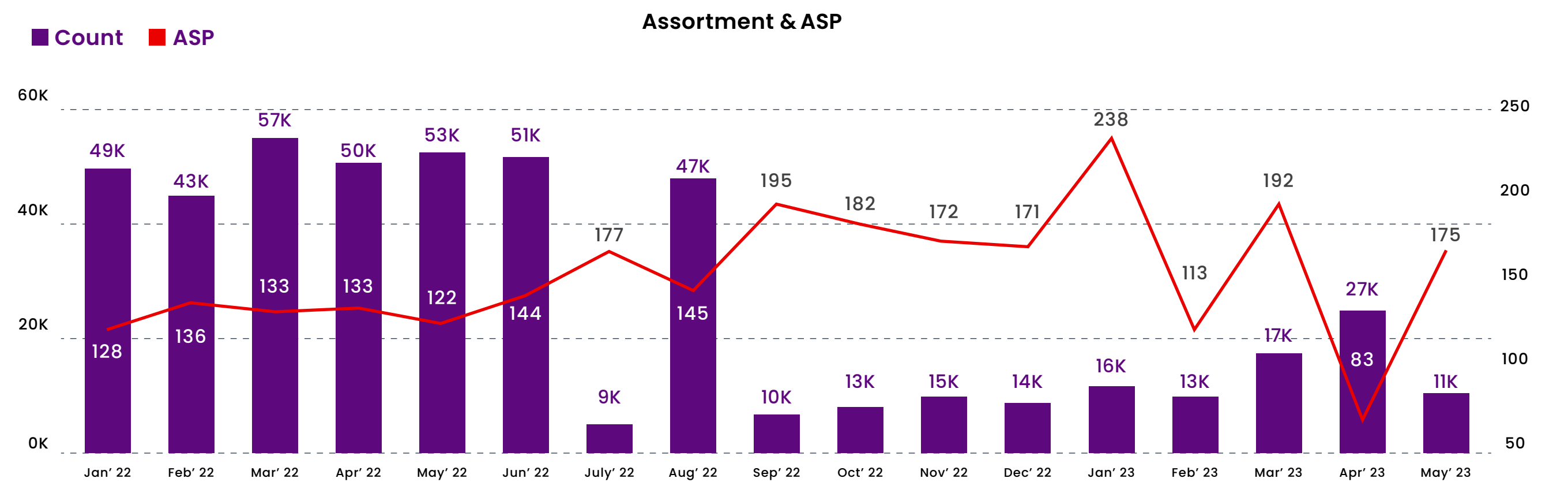
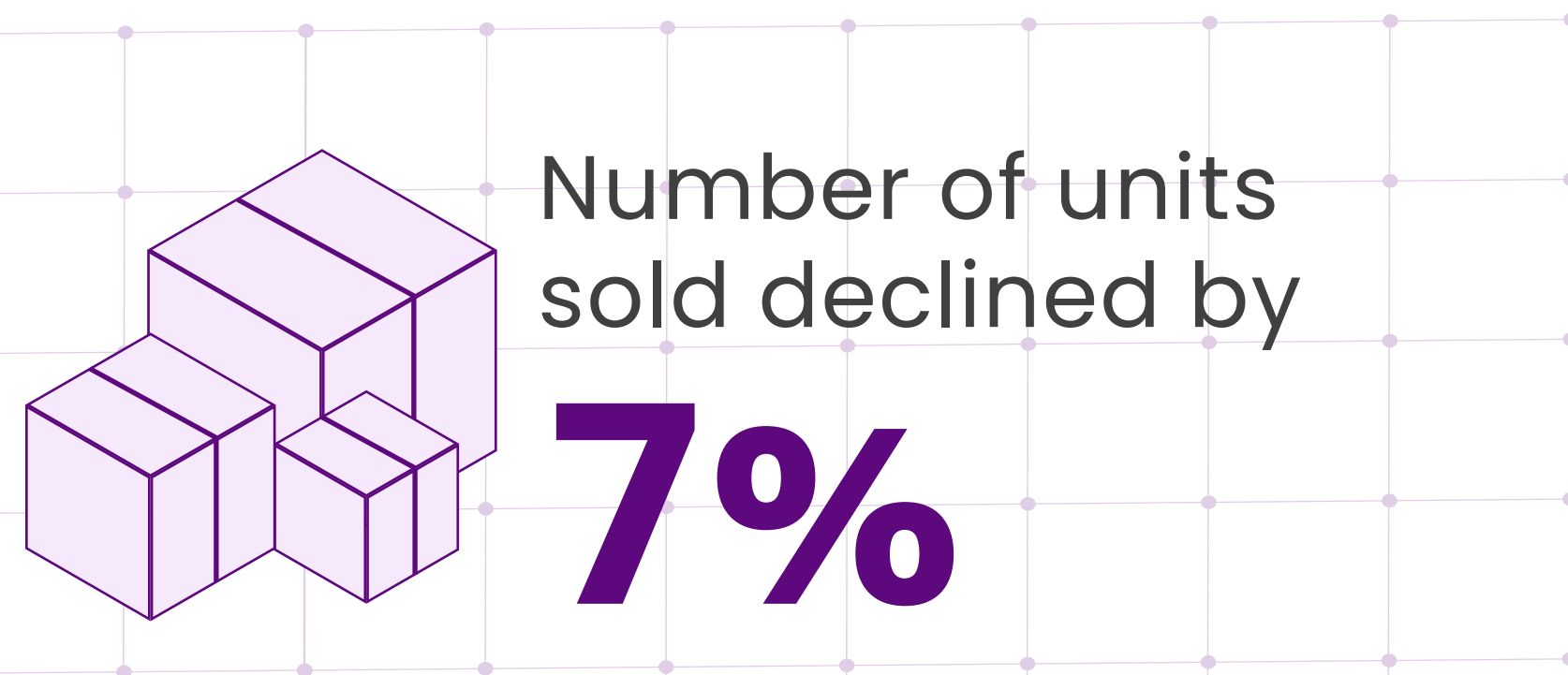
Team sports equipment

In 2022, team sports equipment demonstrated a slightly positive performance, achieving a 2 percent increase in revenues primarily due to price adjustments. However, the number of units sold declined by 7 percent, while the average selling price (ASP) rose significantly by 10 percent. When compared to the pre-pandemic period, revenues were notably higher, showing a 15 percent increase.

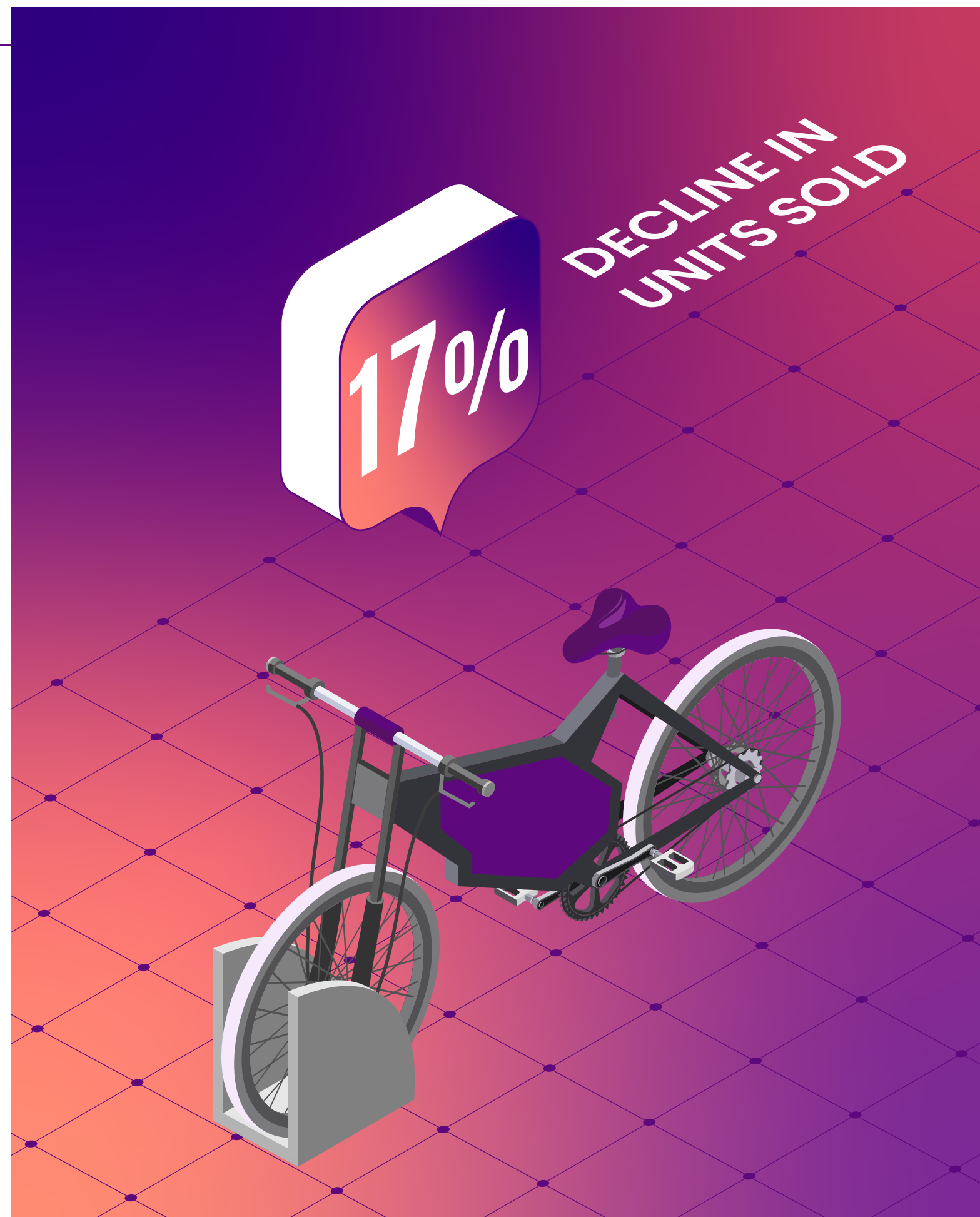
Among the various subcategories within team sports equipment, Lacrosse stood out as the top performer, experiencing a remarkable 27 percent increase in revenues compared to 2021. Racket sports, driven particularly by Pickleball, also showed strong growth, with revenues up by 13 percent. Additionally, soccer equipment witnessed a notable 10 percent rise in income.

Overall, the team sports equipment segment showcased resilience and positive growth in 2022, with price increases playing a significant role in driving revenues despite a decrease in units sold. The performance of specific sub-categories like Lacrosse, racket sports (especially Pickleball), and soccer further contributed to the overall success of the team sports equipment market.

The product data from Amazon US further supports the observed price increase in the team sports equipment category. The ASP for the category rose from \$128 to \$175 during the specified time period, indicating a clear upward trend in prices.



Cycling

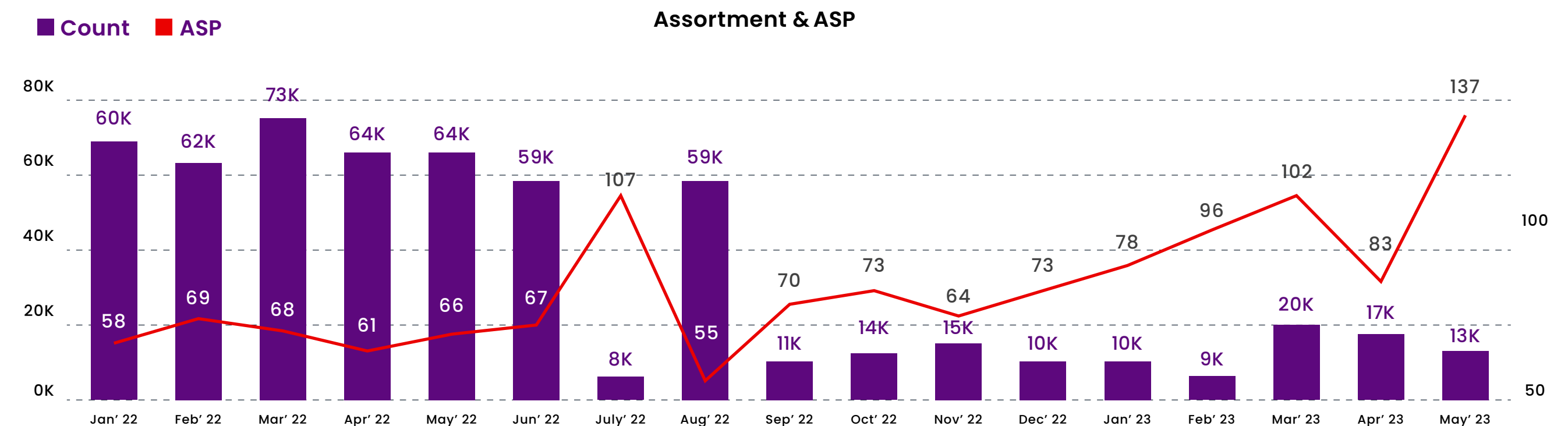


Cycling revenues experienced a decline of 10 percent in 2022, following a remarkable 20 percent growth from 2019 to 2021. Despite this downturn, the revenues in 2022 remained significantly higher than the pre-pandemic period, showing an impressive uplift of 32 percent. The decrease in units sold was substantial, amounting to 17 percent, while the average selling price (ASP) witnessed a notable increase of 9 percent.

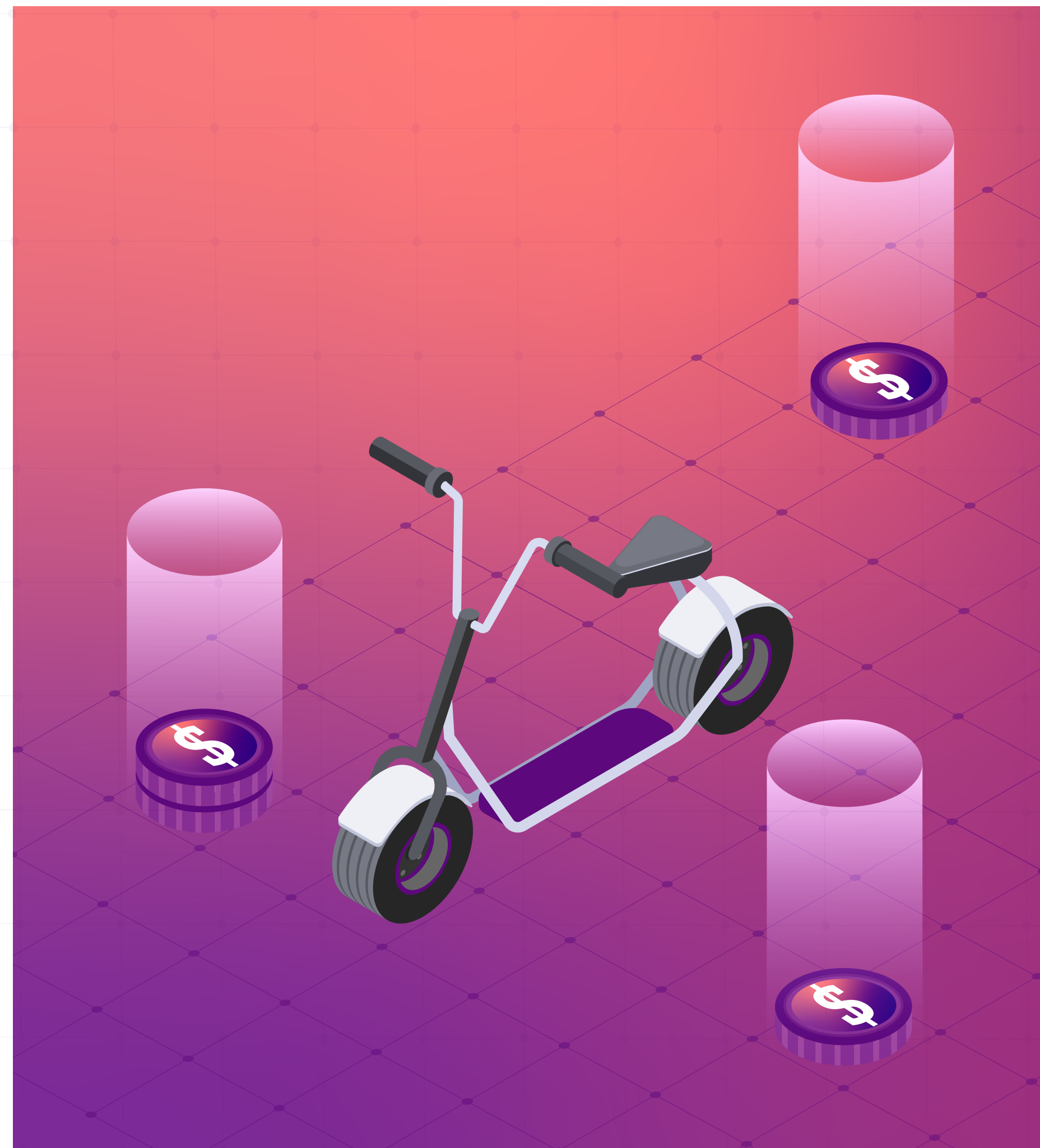
The standout performer within the cycling category was e-bikes, which saw a remarkable 16 percent increase in revenues compared to 2021. Remarkably, e-bikes have witnessed a staggering 400 percent growth since before the pandemic. This surge in e-bikes' popularity is expected to continue, partly due to a long-awaited structural shift in consumer preferences.

The rise of e-bikes might have had an impact on the assortment size of cycles on Amazon US. The assortment size significantly reduced from 69,000 during the review period to 13,000, indicating a shift in consumer demand. Despite this decline in assortment size, the ASP for cycles remained high, standing at \$137 as of January 2022, compared to \$58 in the same period.

In summary, while cycling revenues experienced a temporary dip in 2022, the overall growth trend has been impressive, with substantial gains compared to pre-pandemic levels. The soaring popularity of e-bikes has been a key driver behind this positive performance, contributing to the reshaping of the cycling market and influencing consumer choices in the category.



Strategic Resilience on Uncertainty and Capitalizing on Emerging Trends of the Sporting Goods Industry

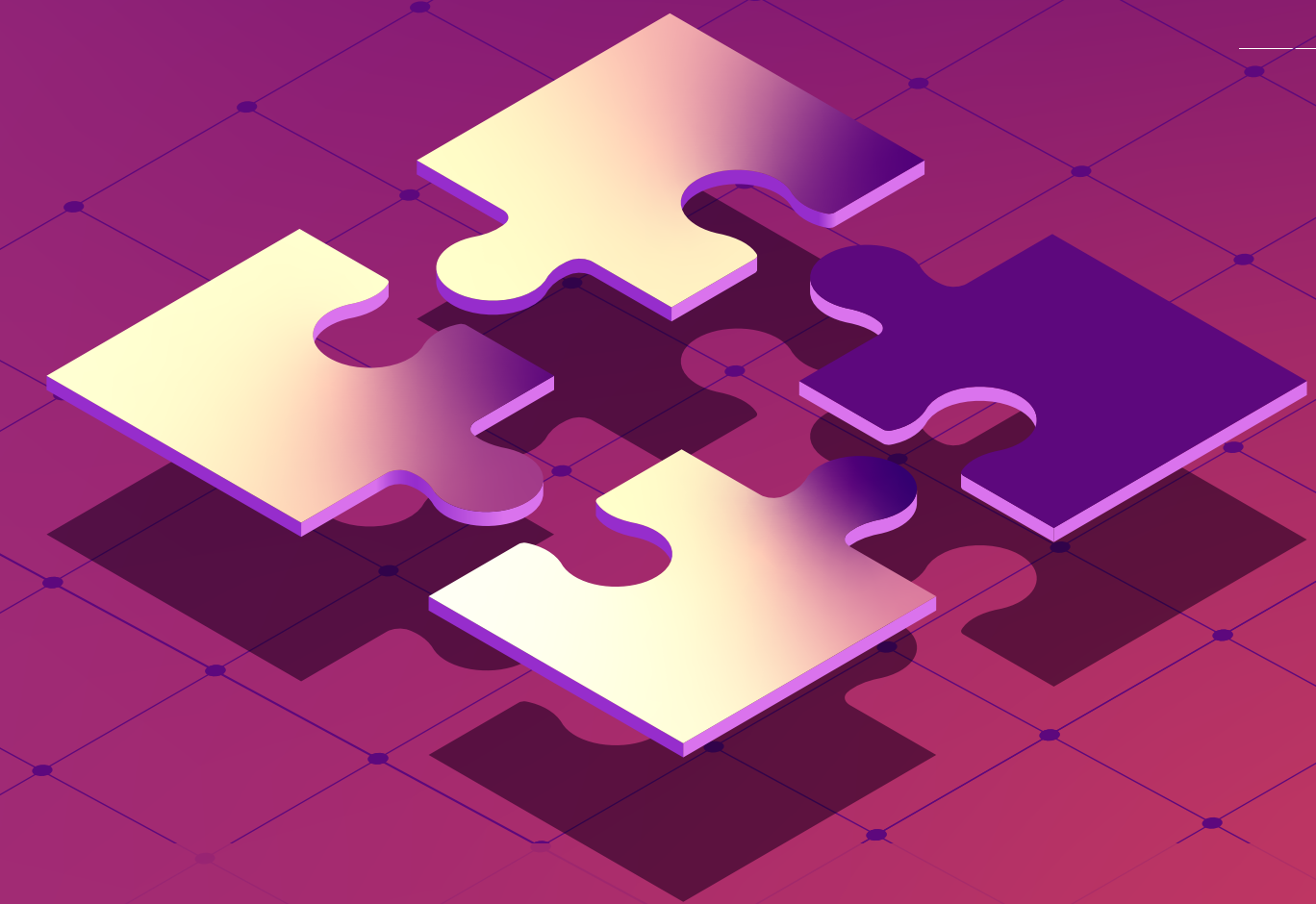


The sporting goods industry faces mixed performance and ongoing challenges, likely leading to an industry overhang in 2023 with uncertain growth prospects. However, the trend towards healthier lifestyles and the direct-to-consumer approach will persist, offering opportunities for successful execution. e-Commerce will continue to drive efficiencies and support data-driven business models. Niche categories like e-bikes and pickleball show promise. Decision-makers must strategically evaluate these dynamics and make selective adjustments to capitalize on opportunities.

To successfully navigate the current economic environment characterized by volatility and uncertainty, companies need urgently to get ahead of the curve.

The levers we identified can be classified in three key areas, all of which have the goal to increase a company's resilience in the current economic environment: assortment and commercial strategy, smart pricing, and proactive cost management. Dependent on individual situations, a variety of these levers can be applied.

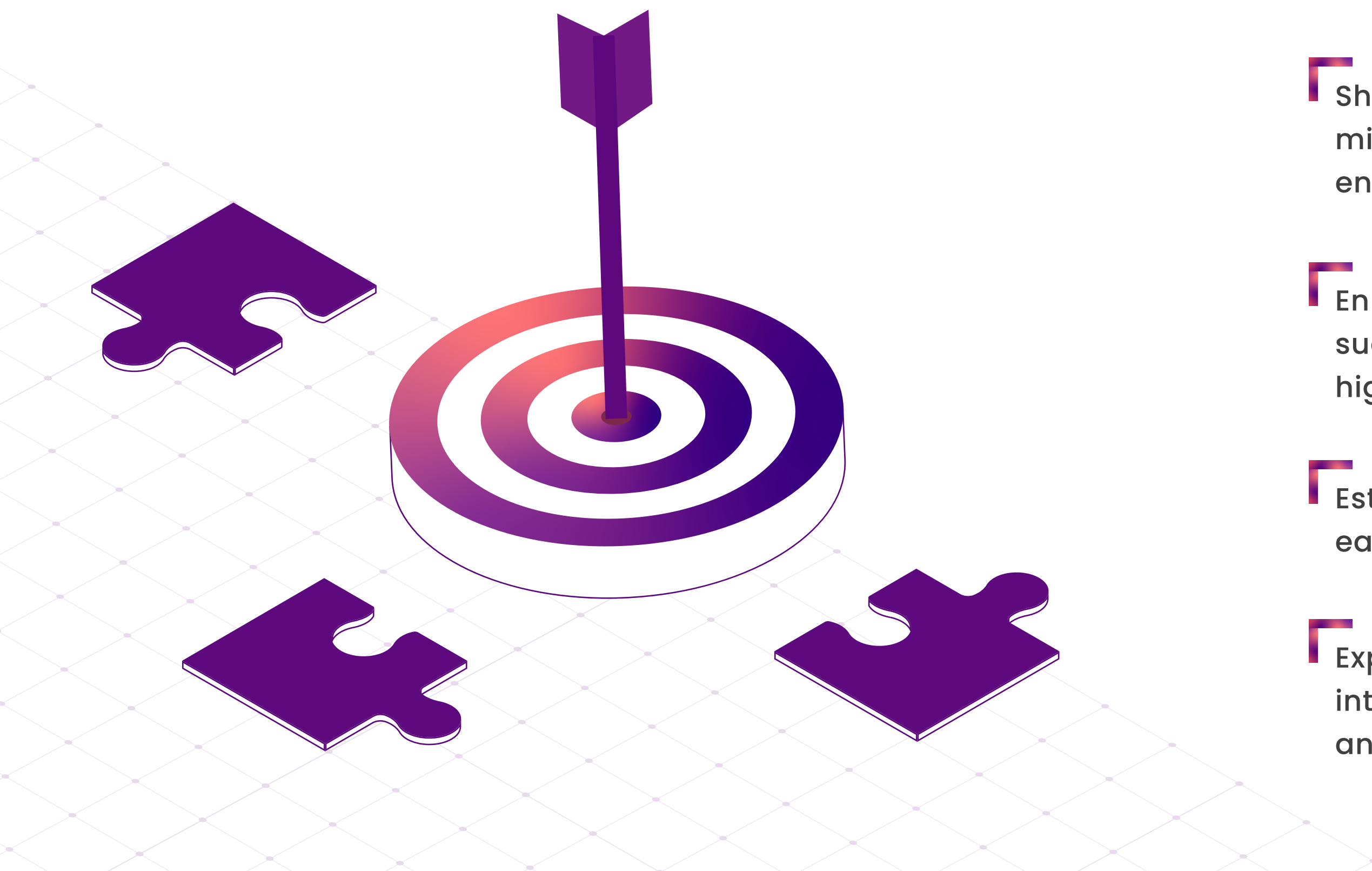
How brands and retailers should tailor their strategies



Assortment and commercial strategy

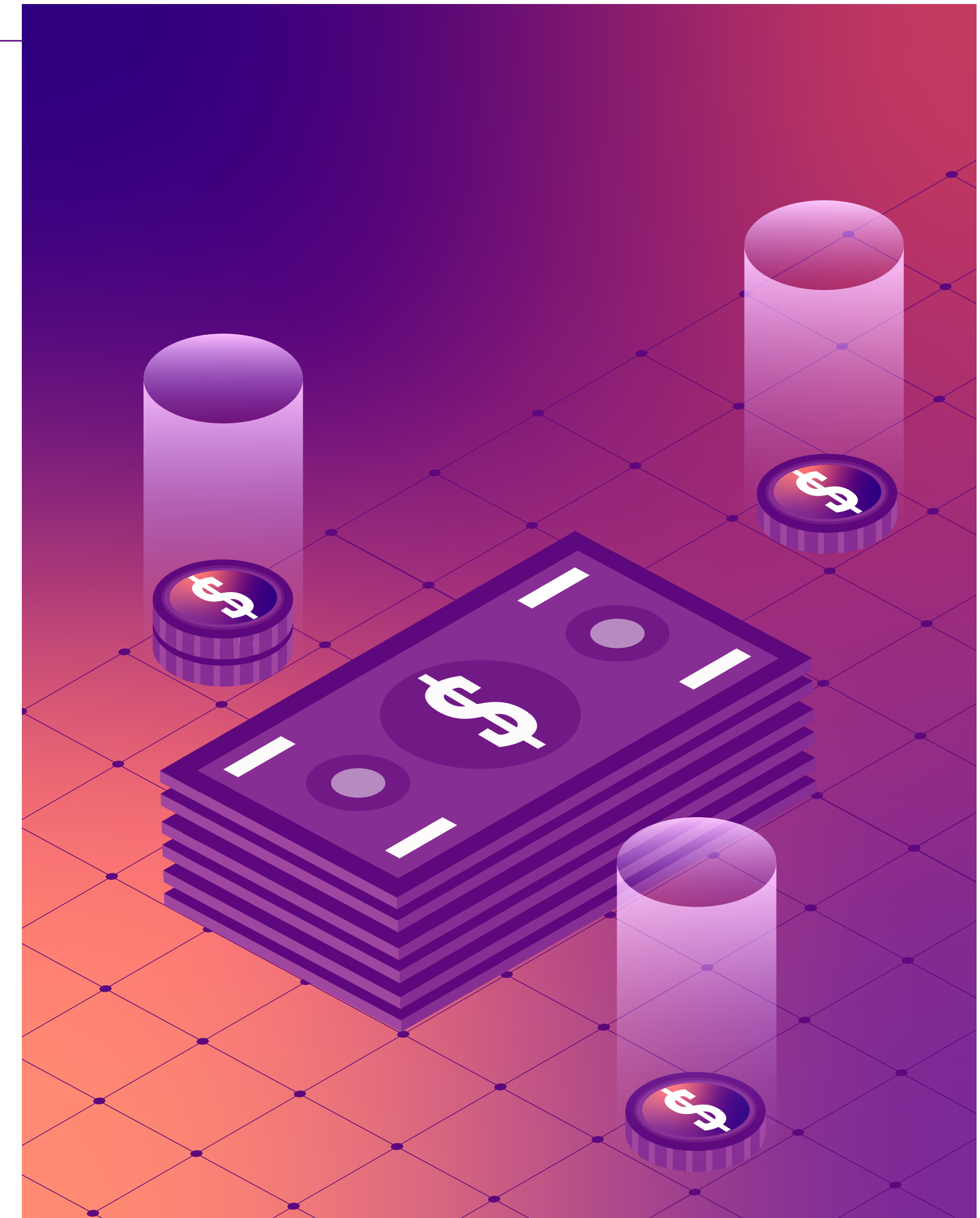
A review of assortment strategy can be effective in lifting profitability. There are several typical levers we see:

- Discontinue low-margin products at all price points
- Shift focus away from down-trading by highlighting the value of mid-market and premium products, while reducing low-margin items in the entry-level segment
- Enhance communication by emphasizing product aspects beyond price, such as superior quality, sustainability, innovation, and exclusivity, to justify higher prices
- Establish premium offerings through collaborations with luxury brands to earn higher margins
- Expand direct-to-consumer (DTC) offerings and eliminate underperforming intermediaries, increasing pressure on retailers to differentiate themselves and align with a brand's omnichannel strategy.



Smart pricing

- Understand consumers and identify key value items (KVIs) to guide pricing strategies
- Increase prices swiftly for products with low-demand elasticity, non-KVIs, and limited or no comparable alternatives
- Evaluate promotional strategies and consider reducing promotions or implementing price increases for scarce products
- Review gross-to-net ratios and optimize promotion activities for improved profitability.
- Rebalance pricing between entry-level and midmarket products based on margin structures, emphasizing the value gap to discourage downtrading.



Proactive cost management

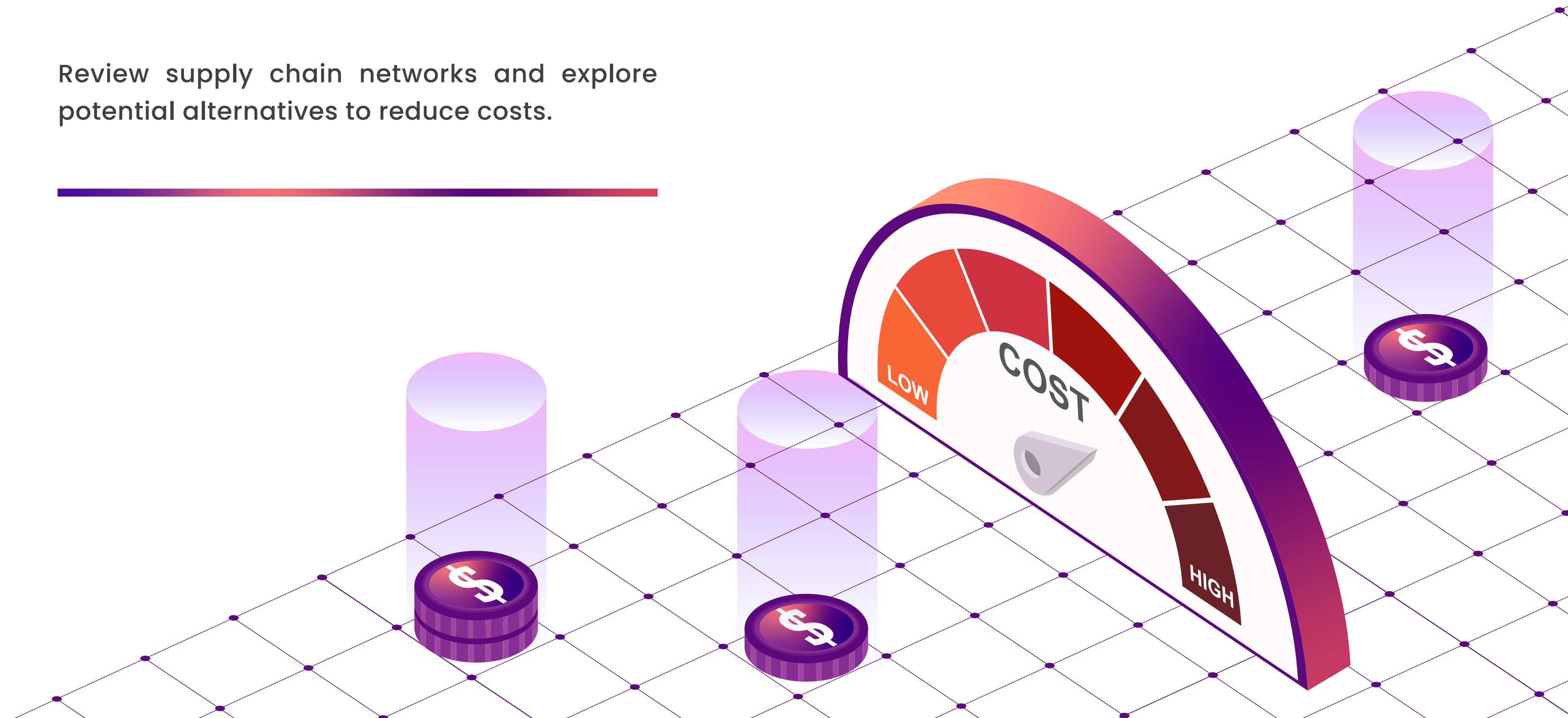
Enhance cost management strategies to safeguard margins amid rising raw-materials, transportation, and labor costs.

Increase transparency in spending by identifying critical drivers based on historical data and future trends.

Optimize product cost structures to maintain accessibility for inflation-affected consumer groups while protecting margins.

Review supply chain networks and explore potential alternatives to reduce costs.

Establish visibility into cost structures at product and category levels to pinpoint the most impacted areas of the portfolio.



Reference Links

- <https://www.mckinsey.com/industries/retail/our-insights/sporting-goods-2023-the-need-for-resilience-in-a-world-in-disarray>
- <https://www.mckinsey.com/industries/retail/our-insights/sporting-goods-2022-the-new-normal-is-here>
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- <https://www.researchnester.com/reports/sporting-goods-market-global-demand-analysis-opportunity-outlook-2023/214>
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- <https://www.bplans.com/sporting-goods-retail-store-business-plan/market-analysis-summary/>



Research Methodology

Preliminary prep

Before diving into the data collection and analysis, the team formulated a research plan outlining the specific categories in the Sporting Goods Industry to be focused on. This helped in narrowing down the scope and ensuring more defined and accurate results.

Data Collection

Leveraging our proprietary scraping engine, built using advanced Python and web scraping technologies, our engineers executed the data extraction of the Product Content (SKUs) from all pertinent categories within the Sporting Goods Industry on Amazon US. This comprehensive data assimilation was carried out over a span of 17 months, completed in bi-monthly intervals to facilitate the most current and exact data possible.

Data Cleaning, Standardization and Analysis

Our proprietary ETL (Extract, Transform, Load) engine was utilized to ensure our collected data underwent rigorous cleaning and standardization. Our team of analysts coordinated these essential steps to guarantee data integrity, uniformity, and efficiency paving the way for successful subsequent research phases. Following this, our analytics manager conducted a thorough examination of the gathered data, interpreting patterns and trends to aid the creation of comprehensible dashboards and infographics.

The methodology of our research is delineated in this segment, outlining our sequential methods for obtaining, analyzing, and using data to provide valuable recommendations in our report. It is designed to ensure that our findings are accurate, credible, and valuable to anyone interested in the Sporting goods industry.

Uncovering Insights

Our product manager and solutions manager then collaborated to identify business opportunities within the data. They used insights from the analysis to pinpoint areas of interest for potential growth or improvement within the Sporting goods industry.

Secondary Research

Simultaneously, our solutions manager and solutions directors undertook complementary research, studying other significant industry reports and publications. This reinforced our proprietary research and analysis, providing a well-rounded perspective on industry trends, preferences, challenges, and opportunities.

Report Compilation

In culmination, the 17-month-long comprehensive data analysis and secondary research conducted using our proprietary ETL and scraping engines resulted in this exhaustive report. This report is designed to give our readers a deep, data-driven understanding of the trends and opportunities within the Sporting Goods Industry, positioning them favorably in the competitive market.

About Iksula



Iksula is a leading eCommerce solutions provider for brands and retailers globally, led by a team with over four decades of experience. We assist over a dozen billion-dollar companies in managing their commerce operations seamlessly. We help brands and retailers realize superior economic performance by transforming their supply chain and retail operations for digital era. This includes engineering cutting-edge tech for creating engaging experiences for your customers and automating business processes for your stakeholders.



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