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ANNOUNCEMENT

Sportswear category sales benefited from the Covid-19 pandemic

The IADS and NellyRodi regularly take stock on the new trends induced by the Covid-19 pandemic through a series of monthly product category workshops with the Association stores members. Their last workshop, dedicated to the Sportswear category, underlines its resilience during the health crisis.

During the course of 2020, the Covid-19-related lockdowns deeply changed customers' behaviour and habits when buying products from the Sportswear category:

- The cancellation of sports events and closure of gyms transferred all physical activities to the home, favouring purchases of dedicated equipment,
- The stay-at-home habits (work from home, travel and social interactions limitations) encouraged a non-sport-related usage of sporting garments and footwear.

As a consequence, Sportswear category as a whole resisted better in 2020 than other categories which were more impacted: while apparel category globally decreased by 19% in 2020, the sport category limited the decrease to -7.7% according to McKinsey, reaching a global turnover of €284 billion. Return to growth is expected to take place as soon as 2021, with a planned growth of +9.8% compared to the 2019 pre-pandemic level. This growth is fuelled on the long range by new usages and behaviour, and is anticipated to take place both on mature markets and newer ones. The US market, the global leader with a third of the worldwide sales, is expected to grow by +14% over the 2019-2024 period. In the same way, it is expected that the Chinese market, where sporting activities are booming, will grow by +71% on the same period, reaching €71 billion turnover and increasing its worldwide market share to 19%, from 14% currently.

IADS members' buyers all consider the Sportswear category as one of their best product categories in terms of growth potential. On average, this category represents between 6 and 12% of their turnover, with an average of 25% online.

New consuming habits led to a clear segmentation with different dynamics

IADS members' buyers divide the Sportswear category into the 4 following segments: :

- Athleisure, used for both sport practice and daily life, is central for the category: appealing to the largest possible customer base (athletes & amateurs), this segment represents 50% of the category business and 43% of the brand offer, with a notable focus on outdoor, yoga and Pilates. The growth in this segment is expected to continue, especially online, thanks to the emergence of new brands promoting inclusivity, comfort and a reinvented femininity. In terms of notable brands, NellyRodi identified Pangaïa, Ecoalf, Organic Basics, Outdoor Voices, Mate, Girlfriend Collective, Adanola, The Upside, P.E. Nation, Live the process, Vaara, Splits 59.
- Streetwear goes mainstream, and is an image-driver for stores: this segment addresses both sport and fashion customers. Such a positioning allows a double exposure in stores, in the Fashion and Sports sections, which raises store layout questions. Representing 23% of the category business and 28% of the brand offer, Streetwear is particularly attractive in terms of image, thanks to limited editions, exclusive products (especially sneakers), and constant innovation. As a consequence, department stores, by building partnerships with music and gaming industries or athletes, become more desirable in the younger customers' eyes. Brands to watch in that segment are Kapital, Wacko Maria, Cav Empt, Facetasm, Fpar, Harajukoff, Obey, A Cold Wall, Heron Preston, Vision Naire, Avnier, Sporty and Rich.
- Technical products brands dedicated to sport practice are getting more specialised: Accounting for 20% of the category business and 22% of the brand offer, the segment includes specific equipment (running, cycling, fitness). A rebound in sales is forecasted due to the reopening of outdoor activities. In parallel, at-home equipment (treadmills, weights…) is expected to continue on the same successful

trend. Several specialised brands, with a promise to improve customers' performances, allow to anticipate an enrichment of the brand portfolio in the months to come. NellyRodi identified the following: Pas Normal Studio, Satisfy Running, Goldwin Official, Ciele, Picture, So Ill.

- Luxury Sportswear is an emerging category with a strong potential: while it still only represents 5% of the category business, on that segment collaborations are key and favour emotion over function, making it a strong image-driver for stores, in addition to a significant contributor to margins. NellyRodi identified in this segment Ricky Regal x Lacoste, Fear of God, Ahluwalia.

Within IADS department stores, new brands are coming as a complement to blockbuster names

In terms of sales results, the domination of blockbuster brands is here to stay: Nike (dominating all segments), Adidas (losing ground on the technical segment), Under Armour and Garmin, the latter gaining traction in the Technical segment. In parallel, among brands already present in stores and with a notable growth, IADS members identified the following: Everlast, Theragun, Suunto, Amazfit, Acronym, Titika, Stronger, Ultracor, Deha, Juvia, Lourdes, Oceans Apart, On Running, Diemme, Tamanaco, Gymshark, Bogner.

The Sportswear category significantly contributes to sales growth within department stores

While the Hybrid product category has surged over the past years to reach half of the sales, the pandemic consequences only accelerated the trend which is here to stay and grow. Whether it's fashion or sport-oriented, the Streetwear segment will continue developing thanks to new lifestyles, helping department stores to appeal to a younger customer. Finally, the Technical segment, which grew thanks to at-home exercising equipment, will keep on growing thanks to the possibility to resume outdoor or team-sports practices.

While stores are gradually reopening after lockdowns, the organisation of new events and proposal of unprecedented services will be key to attract customers in store, once more emphasizing the critical key role of customer experience.

About NellyRodi

NellyRodi is a consulting agency in Business and Creative Intelligence.

Based in Paris, Tokyo and New York, it is a global reference for foresight applied to industries and services. Our business, based on understanding new consumer standards and new uses, is to support brands, investment funds and institutions on their desirability and performance levers.

The creative process is the central focus of our modus operandi and our methods. In a world subject to ongoing, profound change, brands need to achieve singularity, innovation and on-target marketing. To this end, they must demonstrate bold creativity and master the use of consumer data. The work we do – our analysis, process of reflection and recommendations – gives our clients a clearer picture of how their business ecosystem fits into the global context. We make recommendations based on detailed, comprehensive observations of social, marketing and creative trends, seeking to guide our clients in directions conducive to their business development.

Backed by NellyRodi's international future-forward expertise, we not only provide strategic support at the highest levels, i.e. to senior management and investors, but also at the field and operational level.

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About IADS

The IADS is the most exclusive and oldest professional department store think tank in the world. Its uniqueness lies in the close relationship between its member CEOs, making it a very powerful asset for decision-making at the highest level.

Today, the Association gathers a group of 12 members across the world, all leaders or key players on their respective markets, and represents more than €31bn cumulated annual turnover, achieved through more than 490 stores with 233,000 associates in 19 countries. Members are: Centro Beco (Venezuela), Beijing Hualian Group (PRC), Breuninger (Germany), El Corte Inglés (Spain), El Palacio de Hierro (Mexico), Falabella (Chile), Galeries Lafayette (France), Lifestyle International Holding (Hong Kong), Magasin du Nord (Denmark), Manor (Switzerland), The Mall (Thailand), SM (Philippines).

The wide variety of business models and cultures represented provide the Association and its members with a richness in the exchange which is all the more valuable for the solutions and thought-provoking debates that it generates.

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