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Global sports footwear review

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Sports footwear has been somewhat difficult to define due to the multi-purpose use of such products. The trend towards using sporty footwear without practising specific sports has been in vogue for some time. More recently the advent and growth of Athleisure has been a strong feature of the footwear scene, bringing together the increasing need to at least pay lip service to the concept of 'wellness' and a need to look good at the same time

Even the luxury goods sector has seen the arrival of sneakers able to fit into the luxury footwear category without seeming too out of place. It is therefore necessary when looking at the total

sports footwear market to acknowledge that it does include a significant proportion of footwear which could be used, say, for serious running but may just as likely be used for going to a disco (which may include some sporty action) or for watching events.

The casual footwear phenomenon has spawned some leading players in the industry such as Skechers, Clarks and Ecco, and has also been an innovative sector. Some of these companies may also broaden their scope into specific sports such as Ecco has done with golf. In terms of the overall global industry, total production of all types of footwear has now exceeded 20 billion pairs per annum.

Sports footwear forms an important sector in the industry not only in terms of the quantities involved but also in terms of the technological and marketing developments which give footwear as a whole, a higher profile.

PRECISE NUMBERS ARE DIFFICULT

To highlight the difficulty of pinpointing exact numbers in the demand for sports footwear we can look at the example of football. On the face of it, this should be one of the easier sectors to quantify as the normal concept of a football boot is that it could only be used for its intended purpose unlike, for example, casual or running footwear.

First of all, we have to decide if we are talking about football or soccer because in the USA we could be talking about American football, which is different to European and other countries' concept of football/soccer. Second, there are the various forms of soccer players. They may be professional players, registered players, unregistered, referees, officials, indoor players and beach football players. The most difficult of all to quantify is the recreational player.

In 2006 FIFA released the findings of its 'Big Count', having contacted all the various football associations to ascertain the number of people playing the game. Its findings indicated the number of players as registered, unregistered and officials. In 2006, there were found to be an estimated 265 million players and five million officials, giving an overall total of 270 million.

By 2015 it is estimated these figures could have risen to 292 million players and 5.5 million officials. The 2006 survey had in turn indicated a 10% rise over that of 2000. Registered players in 2006 constituted 38 million (up 23%), whereas unregistered numbered 226 million (up 7%). There were also estimated to be 26 million female players.

Having estimated the total number of players, there is then the question of how many (if any) new boots they purchase or have bought for them in a year. This will vary from the top professionals having over 10 new pairs per year to a large majority not purchasing any new ones or not even having special football boots. Every time a World Cup or a UEFA European Championship takes place, there is speculation as to the standing of adidas or Nike as the two leading football boot suppliers and whom they are sponsoring. Other brands such as Puma, Sondico and Umbro are also important. The 'big two' are, however, proving difficult to dislodge and continue to be a strong force in the development and expansion in the use of football boots.

TWO COMPANIES DOMINATE

The sports footwear sector as a whole is dominated by two companies: Nike and adidas. It may be that there will be challengers to their duopoly although much resource and the attracting of role model and celebrity star performers will be an essential factor. For example,

Under Armour is starting to present itself as a strong challenger to adidas in the US market but is still very much stronger in apparel than in footwear, albeit making progress in the latter category.

In 2015 adidas sold 301 million pairs of footwear at €8.4 billion (49% of all sales), compared with 239 million pairs in 2011, an increase of 26%. It was also working on 'speed factories' such as the one at Ansbach in Germany which would allow decentralised flexible manufacturing and facilitate the production of a greater volume of footwear to meet 2020 targets. Nike was also working on the speed factory concept and in 2015/2016 achieved sales of footwear of \$18.3 billion. Under Armour in 2015 reached total sales of \$4 billion of which footwear represented 17.1% or \$0.7 billion.

COST BREAKDOWN

The public concept of sports footwear being overwhelmingly manufactured in low cost China is starting to become somewhat of a myth as adidas, for example, was making 41% of its footwear in Vietnam, 24% in Indonesia and 'only' 23% in China. An interesting study by Sole Review ('What does it take to make a running shoe') looked at the relative costs in bringing a running shoe to market (Table 1 & 2). It indicated that, typically, the cost breakdown of a \$100 running shoe would be approximately as follows:

Table 1

Production	\$21–\$22
Freight, insurance & customs	\$5
Marketing	\$5–\$8
Expenses & overheads	\$11–\$13
Income tax	\$1
Profit	\$2–\$5
Retail mark-up	\$50

This does not mean that the retailer is making \$50 on the shoe however; his break-down is typically as follows:

Table 2

Purchase price	\$50
Expenses	\$17
Income tax	\$3
Net profit	\$6
Discounts	\$24

BLURRED EDGES

The total production of sports footwear worldwide, together with the 'blurred edges' of what exactly constitutes sports footwear, has been thriving in 2015 and 2016. This is the result of a call for more healthier living, riding alongside the growing need to look better (Athleisure) and to achieve ever better results through having a technological edge. Or, to simply enjoy whatever sport you play. The growth of Athleisure can be typically seen perhaps through the rise of a leading UK sports footwear retail chain: JD Sports.

In the first half of 2016, JD Sports achieved a 66% increase in profits as the trend in the demand for sportswear as everyday clothing and footwear (Athleisure) continued apace. Sales grew by 20% in the six months to £970m, 50% from expansion and 50% from existing stores. The other part of JD's business comprises the outdoor chains Blacks and Millets. Bought for £20m four years ago, they are now making steady progress with losses halved to £2.3m. With the trend in glamorous camping (Glamping), this aspect of JD's business can be viewed as having a synergy with the Athleisure side.

JD continued its push into Europe by acquiring some European brands including more recently Perry Sport and Aktie Sport. It does not believe Brexit should dampen its progress, at least in the short term. There was also a move further afield as Next Athleisure (T/A Glue) of Australia has also been acquired.

The high profile of leading sports footwear brands and the need for high profile technical developments and 'star' endorsements, means that sports footwear will remain a very important sector within the shoe trade. With an estimated share of over 25% of all footwear, it is also perhaps the global Lingua Franca as well known sports shoe brands can be seen being worn everywhere in the world today. 📌

This article is based on extracts from the author's recently produced World Sports Footwear Review 2016 which gives further information on the market size of different sports in 2015 including baseball, basketball, football, golf, hiking and running, which are analysed together with data on over 300 sports companies, including manufacturers, suppliers and retailers.