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Nike's anti-coronavirus playbook works out

Nike's share price rebounded strongly when the New York Stock Exchange opened on Wednesday morning after the release of the company's third-quarter results at the end of the previous day. It opened at $80.11 as compared to $66.75 on Tuesday morning and $72.16 on Tuesday evening, partly aided by a temporary upward spurt in global stock markets following the announcement of strong measures by the U.S. administration to help out the U.S. economy during the Covid-19 pandemic.

The **Nike** group's revenues for the period, ended on Feb. 29, were higher than the analysts had expected, rising by 5.1 percent to $10.1 billion globally in spite of a drop of 5.2 percent in Greater China. At $847 million, the net income was lower than anticipated, but a decline of 23.1 percent as compared to the year-ago period was largely due to extraordinary charges of $400 million related to the outsourcing of the distribution in Brazil, Argentina, Chile and Uruguay. They were partly offset by a $103 million gain from the sale of Hurley.

Like other sports brands, Nike didn't offer any specific guidance, but investors were apparently reassured about the company's ability to pull through the coronavirus pandemic thanks to what it has learnt in China, where it resorted heavily to digital engagement with consumers to mitigate the effect of store closures. The management indicated that its sales in Greater China will likely be about flat for the company's present fourth quarter.

The Euro March 27 rates	
Czech Koruna	27.18
Danish Krone	7.464
Hungarian Forint	353.9
Norwegian Krone	11.59
Polish Zloty	4.536
Pound Sterling	0.905
Swedish Krona	11.00
Swiss Franc	1.061
U.S. Dollar	1.101
Brazilian Real	5.530
Canadian Dollar	1.549
Chinese Yuan	7.809
Japanese Yen	119.9
Russian Ruble	85.59

Nike deploys a Covid-19 "playbook"

Nike has reacted quickly and decisively to the coronavirus in China, the management claimed. The number of weekly active users of its activity apps was up by 80 percent between the beginning and the end of the quarter. As a result, Nike's digital business in China grew by 30 percent during the quarter, while remaining below a 36 percent increase for the digital chan-

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nel globally. It accelerated in March, leading to triple-digit growth in online demand in the past week alone. Meanwhile, nearly 80 percent of Nike's own 5,000-plus stores in China and its 2,000 partner stores are now open and retail traffic is scoring double-digit increases.

As the management put it, Nike is now applying the same "playbook" in the rest of the world to counter the epidemic. Basically, the playbook consists of an agile response to four phases of supply chain disruption: containment of the epidemic, recovery after stores reopen, normalization in consumer demand and return to growth. In China, the containment phase lasted between five and six weeks, ending with the recent opening of Nike's first store in the city of Wuhan, and the country is now moving from recovery to normalization.

Nike says it has applied this playbook in South Korea and Japan during the past two months, leading to early momentum in both markets. Nike was one of the first to announce the closure of its stores in the U.S., Western Europe and Australia, but it has kept its distribution centers rolling with social distancing in order to service online customers.

This past weekend, the brand launched a strong digital marketing campaign to engage customers to train at home through its app. In the U.S., it is offering its **NTC Premium** program of on-demand workouts and expert tips for 90 days free of charge.

Nike plans to continue to release new products in spite of the cancellation of the Olympics and other major sports events. In China, it launched some new products over the internet only, in the past few weeks. The group is working closely with strategic partners like **Foot Locker, JD Sports Fashion** and **Zalando** to play a leading role when the post-coronavirus phase will set in.

Strong sales increases globally

On a currency-neutral basis, the Nike group's sales grew by 7 percent in the third quarter, lifted by the digital channel, which rose by 36 percent to represent more than 20 percent of its overall business including the online sales operations of third parties.

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Nike Consolidated Income Statement (Millions $, Quarter ended Feb. 29)			
	2020	2019	% Change
REVENUES	10,104	9,611	5.1
Cost of sales	5,631	5,272	6.8
Gross profit	4,473	4,339	3.1
Gross margin	*44.3%*	*45.1%*	*-0.8 pp*
Demand creation	870	865	0.6
Operating overhead	2,413	2,226	8.4
Other income/expense, net	297	-55	–
Interest income, net	12	12	0.0
Pre-tax income	881	1,291	-31.8
Tax	34	190	-82.1
Net income (loss)	847	1,101	-23.1
$/Share (diluted)	0.53	0.68	-22.1

Source: Nike.

Apparel sales rose faster than those of footwear, driven by sportswear, training, basketball, women's and kids.

The Nike brand's sales rose by 5.1 percent to $9.61 billion, with Nike Direct and the **Jordan** brand recording double-digit increases. **Converse** rose by 9.3 percent to $506 million, with double-digit increases in Europe and in global e-commerce.

The highest growth rates were recorded in the EMEA region and in Asia-Pacific and Latin America (APLA) outside Greater China, where Nike continued to post strong momentum through mid-January. The Nike brand's 5.2 percent decline to $1.50 billion in Greater China was the first one in 22 consecutive quarters.

Sales rose by 7.7 percent to $1.71 billion in reported terms in the EMEA region. They grew by 13 percent in terms of local currencies, with double-digit growth in most key categories, led by women's and apparel, with online sales up by more than 40 percent. According to the company, Nike's market share in Europe increased in both footwear and apparel.

In APLA, Nike Digital surged by 51 percent and wholesale revenues rose at a double-digit rate, leading to a 13 percent currency-neutral increase in this region as well. The Nike brand's momentum in

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Nike Regional Sales & EBIT (Millions $, Quarter ended Feb. 29)			
	2020	**2019**	**% Change**
North America			
Footwear	2,628	2,509	4.7
Apparel	1,128	1,173	-3.8
Equipment	123	128	-3.9
Total sales	3,979	3,810	4.4
EBIT margin	*23.5%*	*24.0%*	*-0.5 pp*
EMEA			
Footwear	1,711	1,589	7.7
Apparel	889	750	18.5
Equipment	109	96	13.5
Total	2,709	2,435	11.3
EBIT margin	*21.2%*	*22.1%*	*-0.9 pp*
Greater China			
Footwear	1,075	1,115	-3.6
Apparel	400	444	-9.9
Equipment	31	29	6.9
Total	1,506	1,588	-5.2
EBIT margin	*36.9%*	*40.2%*	*-0.3 pp*
Asia Pacific & Latin America			
Footwear	963	909	5.9
Apparel	388	340	14.1
Equipment	63	58	8.6
Total	1,414	1,307	8.2
EBIT margin	*27.4%*	*25.9%*	*1.5 pp*
Global Brand Divisions	8	8	0.0
Total Nike Brand sales	9,616	9,148	5.1
EBIT margin	*16.2%*	*18.0%*	*-1.8 pp*
Converse sales	506	463	9.3
EBIT margin	*19.0%*	*17.1%*	*1.9 pp*
TOTAL NIKE GROUP REVENUES	10,104	9,611	5.1

Source: Nike.

performance running accelerated, particularly in Japan. The Jordan brand grew by more than 50 percent.

In North America, sales went up by about 4 percent, but the rate of growth would have been about three percentage points higher without the effect of Hurley's disposal and a new partnership with Fa-

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natics for the brand's NFL business. Nike Digital rose by 30 percent in the region and the Nike App grew by more than 60 percent.

Nike claims that it was the favoring sports brand in all of its 12 key cities around the world during the third quarter, gaining market share in cities like Berlin, Mexico City and Tokyo.

Margins decline

While Converse registered a promising increase of 1.9 percentage points in its operating margin, reaching a level of 19.0 percent in the quarter, the Nike brand's Ebit margin declined by 1.8 percentage points to 16.2 percent, with slight declines in every region except in Asia-Pacific & Latin America.

The coronavirus epidemic didn't prevent Nike from continuing to post the highest Ebit margin in Greater China, where it fell slightly by 0.3 percentage points to 36.9 percent. It declined to 23.5 percent in North America and by 21.2 percent in EMEA.

Overall, the group's gross margin was down by 0.8 percentage points to 44.3 percent in the quarter as higher average selling prices were offset by inventory sell-through problems in China, rebates to retailers elsewhere, the cancellation of factory orders, foreign exchange losses and the incremental import tariffs in North America.

Operating costs went up by 6 percent, despite cost containment measures such as an increase of only 0.6 in demand creation expenses. The company said it will continue to manage costs carefully.

How the industry is reacting to the Coronavirus

We have been making use of our new *SGI Europe* and *Outdoor Industry Compass* websites to give you a constant flow of new information on what the industry is doing about the spreading Covid-19 pandemic in a dedicated "Corona Ticker." We feel that it is important to tell our readers how others in our sector are reacting to this new plague and mitigating its effects on their businesses, their clients and their communities. We find **Nike**'s coronavirus "playbook" to be very instructive. There are many other important examples of best

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practices and solidarity in the war against the epidemic, which now has its epicenter in Europe. Here below are some of them, along with a rundown of some of the consequences of the disease, including the cancellation of the OutDoor by Ispo show.

Fesi, the European sporting goods industry federation, called on the European Union and member states on March 23 to provide "swift and bold support" to the European sporting goods industry because it is facing major difficulties in supply, cash flow, rental payments and short-time working for its employees due to the coronavirus outbreak.

Noting that nearly 75 percent of its members are small and medium-sized enterprises, the federation suggested measures such as tax and duty deferrals, rent postponements and concessions, public guarantees to help companies borrow money, export guarantees and the waiving of penalties for delays in honoring public procurement contracts.

Many of these proposals have been taken up by some national governments in Europe because of the emergency. This past Monday, it was the British government's turn to order a nationwide lockdown, accompanied by promises of financial help and indications that it will enforce a three-month delay on payments of store rental fees. A few days earlier, big department stores like **Harrods** and **Selfridges** had voluntarily shut down.

In any case, earlier this month store traffic had already declined sharply in the U.K., dropping by up to 40 percent at certain brick-and-mortar stores. In Spain, during the week of March 9 to 15 that preceded the government's ban on retail activities, shopping at sporting goods stores had already fallen by 42.7 percent, according to *Retail Intelligence*.

Meanwhile, in a move that has been welcomed by Fesi, the European Commission has decided to make available €37 billion in "Cohesion" funds to member states to address the consequences of the health crisis. Furthermore, the **European Investment Bank** will rapidly mobilize up to €40 billion in financing, one-fourth of that for the benefit of small and medium-sized firms.

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We can add that the private sector is also playing its part, as shown below.

Uncertainties about future performance

About two weeks ago, public companies stopped predicting their results for the balance of the year because of the uncertainty over the development of the Covid-19 outbreak and its effect on their business. Others, including **Puma**, **Skechers**, **Wolverine Worldwide**, **Accell Group** and **Rapala VMC**, had ventured some form of guidance but have withdrawn it since our the last issue of this publication.

On March 24, after the British government ordered a nationwide retail lock-down, **JD Sports Fashion** said it was closing all its stores in the U.K. as well as in the rest of Europe and the U.S. It also announced that it is postponing the release of its results for the financial year ended on Jan. 31, tentatively to the second half of May. The revised date would allow the group to provide greater clarity about the impact of Covid-19 and its performance in the current financial year, said the company, adding that it was weighing "a number of options to preserve capital across all aspects of its business."

JD's big rival, **Sports Direct**, had initially said that it was going to keep its stores in the U.K. open, despite a recommendation by the government, but agreed to follow after government ordered the lock-down.There is no doubt that the economic mitigation measures announced by several European governments, including the postponement of rental payments, will not be sufficient to make up for the likely loss of sales. **Frasers Group**, the U.K.-based international sports and fashion retailers previously called **Sports Direct International**, warned on March 20 that the "significant disruption" in its business will prevent it from obtaining the previously projected increase in Ebitda of 5 to 15 percent for the financial year ending on April 26.

Fighting the cash squeeze

While enacting cost-containment measures and waiting for financial help from state or national governments – whether through subsidies or soft loans – many companies are trying

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in myriad ways to save money so as to finance their overheads while facing a standstill in their operations, a sharp drop in revenues or the risk of bad debt.

No major new retail bankruptcies have been announced yet in the sector since the recent bankruptcy of **Gresvig** in Norway, which is merging with **Sport 1** as we have already reported it, but **XXL**, which is also struggling financially, has just announced that it is laying off 1,000 people in the country. Coronavirus aside, Norway is being affected by a recent sharp decline in crude oil prices, which last week helped depress the value of its currency by about 30 percent against the euro and the dollar.

Two outdoor-oriented companies, **Fenix Outdoor** and **Thule Group**, are proposing to cancel their annual dividend to save liquidity. On the other hand, Thule has just confirmed that its annual meeting will be held as planned in Malmö on April 28.

While postponing its May 14 annual meeting to a still undetermined date for the health and safety of employees and shareholders, the **Adidas Group** indicated that it will also delay the planned approval at the meeting of an annual dividend of €3.85 a share. "Despite the temporary challenges posed by the coronavirus outbreak, the company remains fully confident about its future growth prospects thanks to its healthy fundamentals and its strong positioning within an attractive industry," said Adidas.

In releasing its results earlier this week, **Nike** indicated that it still had plenty of cash to face up to the Covid-19 contingencies. Neverthless, it decided immediately afterwards to boost its $3.2 billion cash pile by issuing a $1 billion debt offering. **Moody's** blessed the move by giving it an A1 senior unsecured credit rating, but changed its outlook to negative because of the uncertain duration and severity of the spreading disease.

VF Corp. had previously taken out $1 billion from a $2.25 billion credit facility. **Foot Locker** said it was drawing down $330 million from a $400 million revolver "to preserve financial flexibility." While withdrawing its previous financial guidance, **Hanesbrands**, the parent company of **Champion**, announced that it was drawing down $630 million from its revolving credit in the U.S. to give it about $1 billion in cash on hand.

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Meanwhile, in a generous gesture worthy of note, well-paid top executives at **Canada Goose** and **Puma** are surrendering part of their salaries in response to the epidemic. Besides closing all Canada Goose stores in North America and Europe until at least March 31 and the production facilities in Canada for at least two weeks, the company's chief executive, **Dani Reiss**, said that he will forego his salary for at least the next three months. The company will use those funds to establish the *Canada Goose Employee Support Fund* to help employees who are impacted by the closures but are ineligible for government assistance.

To compensate for an expected drastic drop in sales, the executive board members of Puma around **Bjørn Gulden**, the company's chief executive, have foregone their full salaries for April. Members of the senior management, including general managers and global directors, have given up on 25 percent of their salaries for the same month.

Puma has placed all of its employees in Germany on a part-time schedule through April 13. They will accordingly be working only 50 percent of their contracted hours, but they will receive their full salaries, according to a statement from the company. The remaining 50 percent of pay will be covered by the part-time allowance of the **Federal Employment Agency** and a temporary raise from the company. The step has become necessary with the closure of Puma's stores and those of its trading partners in almost every country.

Vendors and buying groups help retailers

Interesting forms of solidarity between vendors and retailers are emerging in our sector, with many accepting order cancellations, later deliveries or later payments of outstanding invoices. While big international brands like Adidas or Nike can still generate cash from Asia, where the epidemic is subsiding, sporting goods retailers in Europe, the U.S. and other parts of the world have closed down their offline stores voluntarily or by government order.

In an unusual gesture, **Oberalp** has simply decided that one of its brands, **Salewa**, will not offer an apparel collection for the spring/summer 2021 season, basically allowing its retail partners, many of whose stores are now closed, to offer only carry-

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over textiles for the year from now. Salewa guarantees that 75 percent of the products in its spring/summer 2020 collection will still be up-to-date in the following season. All garments currently in the shops and in stock will thus not lose their value. For shoes and hardware, on the other hand, dealers will be supplied with brand-new products for spring/summer 2021. More on this in tomorrow's *Outdoor Industry Compass*.

In Germany, as in other European countries, public authorities have pledged to help ensure the wages of employees who are forced to stop working because of the coronavirus epidemic, including store personnel. In a statement issued on March 20, **Stefan Herzog** said that the German sporting goods retailers federation, **VDS**, of which he is the head, was joining other retailers' associations for "quick, pragmatic and unbureaucratic solutions" in this area and for promised bridge loans and rescheduling of tax payments.

In his statement, which was co-signed by **Sport 2000** and the **Ispo Group**, Herzog also called on suppliers and retailers to work together to delay shipments and payments, while making sure that those stores will have the right merchandise on offer when they are reopened.

In Germany, where retail cooperatives are very strong, the **ANWR** group has decided to offer to its retail members in the shoe, leathergoods and sporting goods sectors the option to apply for a guarantee of up to €250,000 to secure 80 percent of a credit from a commercial bank.

In addition to other forms of financial aid, such as delayed payment of invoices and commissions, one of the German buying groups affiliated with ANWR, Sport 2000, has decided to implement the new **sport2000.com** e-commerce platform as of next week to help out retail members that have closed their shops to take orders from customers online. The launch is limited for the time being to the German market. Others in Europe will follow.

A German online trading platform, **Sportmarken24**, is offering affiliated retailers immediate pragmatic cash help during the coronavirus. For two months, the company promises an interest-free loan equivalent to the amount paid out in the previous month. In addition, Sportmarken24 is offering all unaffiliated retailers a fast track

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to membership. Sportmarken24 is an e-commerce start-up based in Wiesbaden and has been active since spring 2018. The start-up enables local sports retailers to participate in the online business. The products are offered on a variety of channels, including **Amazon**, **Ebay** and **Real**, as well as through the company's own Sportmarken24 webshop. Currently, more than 150 stores in Germany are already affiliated with the platform.

Online and omni-channel retailers may profit from the closure of brick-and-mortar stores, but a U.S. company wants to share its benefits. The brand **Toad&Co** has launched an unprecedented e-commerce revenue-sharing program to help brick-and-mortar retailers that run into financial difficulties as a result of the crisis. The brand from Santa Barbara, California, dedicated to sustainable, organic and eco-friendly clothing, will share 10 percent of the e-commerce revenues from first-time customers with its physical retail partners.

Gordon Seabury, Toad&Co's CEO, explains the workings of the program, which takes effect on March 15: "If a retailer is shut down due to coronavirus, we'll provide them a special code. When customers come to our website, they'll put in the code to identify as customer of retailer X. After a sale, that store will get part of the revenue and that customer will be tagged as a customer of that retailer for all sales going forward. Any subsequent online sale will be flagged, and part of the revenue will go back to that retailer, even after the coronavirus outbreak calms down." Seabury also said that his company wants to expand the program further, perhaps as soon as this week.

In the U.S., on March 13, **Patagonia** was one of the first brands to announce the shutdown of all its stores, offices and other operations around the world – including even its online store. Many other brands subsequently made the same move on a voluntary basis, starting with Nike, but they continued to take orders from customers online, while keeping open or gradually reopening their stores in Asia.

Making weapons for front-line health workers

LVMH, the big French-based luxury goods group, was among the first to do something practical to fight against the coronavirus diseases. Faced with a scarcity of hand sanitizers, it converted some

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of its perfume manufacturing operations to make hydroalcoholic gel, which it donated to health authorities free of charge. A Brazilian cosmetics group, **Natura & Co.**, has started to do the same on a temporary basis.

The sporting goods and outdoor industry is now playing its part, in different ways. **Salewa** has committed to sewing face masks and water-repellent protective coats. The brand's parent, **Oberalp Group**, reported that production is taking place at the group's facilities in Montebelluna and that the products are made from existing waste materials. The first weekly production of 50,000 masks and 800 protective scrubs has already helped the South Tyrolean medical services to overcome a bottleneck.

At the same time, Salewa and its license partner have secured a total of 20 million medical protective masks and 600,000 protective jackets in the Chinese city of Xiamen and flown them in via Vienna in cooperation with **Austrian Airlines** and the Austrian government. Oberalp is currently pre-financing all the orders for public institutions and organizing the official permits for transportation within China and to the final destinations. The company's logistics department will take over the distribution of the equipment on behalf of the South Tyrolean medical services.

Face masks have turned out to be a rare commodity in many countries. According to reports in the local media, home-based stitchers of shoe uppers in Spain and small fashion workshops in California have switched to the manufacture of masks, primarily destined to hospital workers and their patients. This is one way to convert the supply chain to better use when it's bound to stay still because of a slump in consumption.

Initiatives of this kind at an industrial scale are mushrooming. Canada Goose, which has several apparel plants in Toronto and Winnipeg, announced on March 25 that about 50 employees at each facility will make scrubs for nurses and patient gowns that will be donated locally, with an initial goal of producing 10,000 units.

Hanesbrands revealed that its Latin American factories have become part of a consortium of apparel manufacturers that will make surgical masks.

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Meanwhile, **Macron**, the sportswear firm based near Bologna and the kit sponsor of dozens of clubs across different sports and countries, has announced that it is partly converting its production from team sports jerseys to masks. More than 7,500 people have died in Italy in connection with the Covid-19 outbreak since the beginning of the crisis, just a few weeks ago.

Also in Italy, **Decathlon** snorkeling masks are being converted into ventilators to help coronavirus patients cope with related respiratory problems. The conversion was prompted by **Renato Favero**, the head physician at a hospital near Brescia, himself a user of Decathlon's **Easybreath** scuba mask. A company called **Isinnova** has designed a 3D-printed connection between the ventilator and the mask and uploaded to the internet a video with instructions for converting the scuba mask into a functioning ventilator. Hospitals around the world can now buy masks from Decathlon and replicate the process, if they need to. The 3D-printed valve, which Isinnova has called the "**Charlotte Valve**," is patented but the initiative is non-profit. Isinnova made it clear that the solution is designed for worst-case scenarios only, when official healthcare supplies are urgently needed but unavailable.

Community spirit, donations

In general, companies have been taking care of the health and safety of their employees as a first priority, promoting social distancing and cleaning up their offices as soon as they discover cases of infection. Nike, Adidas, Zalando and others have acted rapidly. Italy's **Tecnica Group** has gone so far as to take out to a specific Covid-19 insurance policy for its staff, as outlined in a separate article further below.

According to the Italian sporting goods industry association, **Assosport**, which pro-actively contacted many of them, many Italian producers of outdoor clothing, footwear and equipment closed down their offices and facilities for a few days even before the central government ordered a nationwide lock-down of non-essential activities. They resorted to "smart working" (remote working at home) for customer service and other operations. Others added an extra shift to be able to deliver some orders before closing down.

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La Sportiva, the Italian producer of climbing and hiking shoes and clothing, announced already on March 12 the closure until at least April 3 of its head office, store and manufacturing plant at Ziano di Fiemme in northern Italy because of the coronavirus epidemic. The facilities employ a total of 364 people. Some orders had already been cancelled in Italy, and others were being delayed due to new travel restrictions in Austria and France. **Lorenzo Delladio**, chief executive and president of the company, admitted that this would cause personal sacrifices and losses in terms of sales, profits and market presence, but "will allow us to start up again with more motivation once the emergency is over."

Another Italian company specializing in climbing equipment, **Camp**, decided to shut down although it had just received an order from China, where the market has returned to more normal levels. Meanwhile, in Europe and North America, where the health system is less subsidized, many companies have been making donations to their communities.

In February, Canada Goose announced a donation of one million renmimbi (€127,879-$141,355) to the **Wuhan Charity Federation**, which was collecting funds to help relief efforts in the city where this all started.

In Italy, the European country where the epidemic has caused most fatalities, In Italy, the European country where the epidemic has caused most fatalities, the **Polegato** family, which controls **Geox** and **Diadora**, made a donation of €1 million to the highly impacted Veneto region, and **Macron** and **Technogym** have been among the companies that have made donations to local hospitals. Macron, the Italian supplier of replica jerseys, isaid it was making a donation of €100,000 to a local hospital in its hometown of Bologna. **Save the Duck**, an Italian "animal-free" outerwear company that exhibited for the first time at **Ispo Munich 2020**, said it would give 20 percent of the proceeds from its online sales since March 2 to the health system in Milan, which has been overwhelmed by the epidemic.

Nike, its foundation and its executives have pledged more than $15 million to various relief funds in the state of Oregon (see below). The **New Balance Foundation** has committed the extraordinary amount of $2 million in grants to various charities, including **Global Giving**, **No Kid Hungry** and the **Boston Resiliency Fund**, inviting its

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employees in North America and the U.K. to participate in a corporate matching program.

Keen Footwear has pledged to donate up to 100,000 pairs of shoes, worth about $10 million, to the workers on the front lines and the families at home dealing with the coronavirus crisis. The program is called "**Together We Can Help**." As reported on *snewsnet.com*, within 24 hours of the program's launch, Keen received 14,000 orders from around the globe.

Disruption and economic worries

More and more companies in Europe have been closing factories and/or retail stores. Vibram suspended production in its factory in Albizzate, in the Italian province of Varese, but restarted its production in the Far East Far East as well as the Vibram Tech Center in Guangzhou, China.

While the production apparatus has fortunately been set in motion again in China, we are now receiving reports of disruptions in manufacturing in countries like Cambodia and Myanmar due to the lack of fabrics and other inputs from China. We also hear that concern is building in China that foreign residents coming over to supervise the supply chain may be infected in turn, possibly leading to reverse travel restrictions.

Experts feel that more flexibility and resilience should be introduced into the supply chain now and in the longer run to cope with this sort of emergency as well as with unilateral government measures like Brexit or the U.S. tariffs on Chinese goods. Brands, distributors and retailers should accept temporary delays in deliveries without penalties.

Some studies indicate that, with warmer weather conditions setting in, we should get over the current pandemic by the summer, if not sooner, at least in the Northern Hemisphere, depending on the containment and mitigation measures taken by governments, companies and individuals.

Anyway, there is no doubt that the global economy will slow down, raising the specter of a possible recession, although the sporting

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goods sector showed a certain resilience as compared to other sectors during the previous 2008 economic crisis. According to the **United Nations Trade and Development Agency (Unctad)**, the recent shortfall in Chinese production alone is likely to cause a 2 percent drop in global exports this year.

Reacting to the gloomy economic outlook, the Federal Reserve in the U.S. has again slashed the benchmark interest rate and the U.S. government has finally issued a big financial aid package that has lifted stock exchanges worldwide.

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More shows are canceled or postponed

We have already reported on the cancellation or postponement of many industry trade shows, and we have just learnt that exhibitors who had booked space for the **Ispo Beijing** trade show in February have been refunded.

Early this morning, **Messe München** announced the cancellation of the **OutDoor by Ispo** show, which was going to start in Munich on June 28. It said the decision was taken after concertation with the Bavarian government and the **European Outdoor Group** (more on this soon on the website of our *Outdoor Industry Compass* and the subsequent newsletter). Information about related events such as the **Ispo Digitize Summit** will be provided at a later date.

So far, the organizers of the **Outdoor Retailer Summer Market** in Denver have maintained its previously scheduled dates of June 23–25, but we would not be surprised if they will soon do the same.

Performance Days, the first show of sports fabrics for the spring/summer 2022 season, was still going to take place in Munich as scheduled on April 22-23 because the Bavarian government's ban on public events is due to expire on April 19. However, its organizers have now decided to cancel it "after extensive internal and external consultation" and to replace it with digital alternatives. More information will follow soon, but buyers will of course have a problem because the touch and feel of a fabric is important. The next session of the show is still planned for Oct. 28-29.

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The **Taiwan External Trade Development Council (Taitra)** has announced the cancellation of the new combined **Taipei Cycle+** and **Taispo+** trade shows, which were scheduled for May 14-16, as the government of Taiwan has restricted international travel and events despite its relatively successful containment of the coronavirus epidemic. The trade shows were originally scheduled for early March but subsequently postponed. A virtual exhibition with online meetings is due to be organized in its place.

On the other hand, the second edition of the **Paris' Velo Show** took place as scheduled on March 6-8, escaping the wave of cancelations and postponements that are sweeping away the majority of trade shows and other events. The French bicycle show attracted about 6,000 visitors and 75 exhibitors, with some 100 brands on display.

Separately, **Efttex**, the international fishing tackle show, confirmed on March 19 that its next event will take place as planned in Prague on June 11-13, but we wonder whether it will actually happen. **Pitti Uomo**, the big international menswear show in Florence, where many sports brands exhibit, is still going to take place on the planned dates of June 16-19, as long as the Italian lock-down doesn't continue beyond the end of May. The organizers have started to evaluate alternative measures, however.

Pitti Uomo, the big international menswear show in Florence, where many sports brands exhibit, is still going to happen on the planned dates of June 16-19, as long as the Italian lock-down doesn't continue beyond the end of May. The organizers have started to evaluate alternative measures, however.

Please read the subsequent articles and check our website frequently for other news about the Covid-19 situation!

Global recession expected, hopefully short-lived

While the consumption of non-essential items like sporting goods is declining in Europe, the U.S. and some other parts of the world hit by the coronavirus pandemic, store traffic is picking up in China after having fallen by as much as 80 percent at the peak of the outbreak, according to a *Bloomberg* article. The news agency noted that local purchases could be spurred on by "revenge spending"

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due to pent-up demand, but the forecast is debatable. **Adidas** executives told investors that there will likely be instead a return to normal consumption levels. Chinese consumers represent more than a third of the luxury industry's sales.

Anyhow, the spreading of the pandemic is widely expected to topple the global economy into a recession this year, as reflected in the recent deep declines in stock exchanges worldwide. **Standard & Poor's** estimates that the global gross domestic product (GDP) will only grow by 1.0-1.5 percent, but indicates that the outcome could be worse as the risks remain firmly on the downside. According to the **International Monetary Fund**, the global economy is in recession if it rises by less than 3 percent a year because economic expansion then lags demographic growth.

The initial data from China suggest that its economy was hit far harder than projected, though a tentative stabilization has begun, said S&P's global chief economist, **Paul Gruenwald**. "Europe and the United States are following a similar path, as increasing restrictions on person-to-person contacts presage a demand collapse that will take activity sharply lower in the second quarter before a recovery begins later in the year," he added. He noted that "as China has shown, restrictions could be lifted more slowly than originally thought as public health concerns persist."

For the time being, there is still some hope that the recession will be short-lived. **Goldman Sachs** predicts that the GDP of the euro area could fall by 1.7 percent this year, then recover strongly in 2021 with growth that could reach 3.5 percent.

The decline is likely be extremely violent in Italy, where the GDP may plummet by almost 6 percent in the first half and decline by 3.4 percent for the whole of 2020, according to Goldman Sachs. But then, in 2021, the country's economic growth could reach 3.5 percent, in line with that of the whole eurozone.

The bank expects Germany's GDP to fall by 1.9 percent in 2020 and increase by 3.6 percent in 2021, the French GDP to slip by 0.9 percent this year and grow by 3.0 percent in 2021, while Spain's GDP is seen contracting by 1.3 percent this year and expanding by 4.3 percent in 2021.

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Deutsche Bank feels that the recession will be short but extremely violent. It estimates that the Chinese GDP fell by 31.7 percent on an annualized basis in the first quarter and will rise by 34.0 percent in the second quarter, finishing the year with a growth of 4.5 percent, compared with the recent annual increases of more than 6 percent.

For the second quarter, the German bank is projecting drops in the GDP of 23.6 percent in the eurozone and 12.9 percent in the U.S. However, it adds, the economies should pick up again in the second part of the year, leading the GDP for the whole year to decline by an estimated 2.9 percent in the euro area and by 1.0 percent in the U.S.

The Tokyo Olympics are postponed, other sports events cancelled

(Updated on March 24) It's now official. The **Olympic Games** will not be held in Tokyo this summer. A joint statement made by the president of the **International Olympic Committee** (IOC), **Thomas Bach**, and the Prime Minister of Japan, **Abe Shinzo,** said that they will have to be rescheduled "to a date beyond 2020 but not later than summer 2021, to safeguard the health of the athletes, everybody involved in the Olympic Games and the international community."

Whatever the new dates that will be set, the Games will keep the name **Olympic and Paralympic Games Tokyo** 2020. They were due to take place in the Japanese capital from July 24 to Aug. 9, but the Japanese government took additional border security measures because of the disease.

The IOC was originally expected to take a decision in the matter in four weeks' time, but the two parties decided to act immediately as the **World Health Organization** (WHO) reported that the Covid-19 pandemic is "accelerating." There are more than 375,000 cases now recorded worldwide and in nearly every country, and their number is growing by the hour, the March 24 statement noted. The tally has since increased.

The international governing bodies for swimming and track & field had already proposed the one-year delay, followed by the **International Federation of Sports Climbing**. The postponement of the Games will create huge problems in the area of sports marketing,

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adding to those already caused by the cancellation of the **NBA** tournament and other major nternational competitions.

Many other sporting events that were going to take place before the Olympics in the U.S. and Europe have been cancelled, including most recently the final of the **World Ski Cup** in Italy. **Uefa** announced on May 17 that the big **Euro 2020** football tournament will only take place next year, creating a possible conflict with other events. It was due to start in Rome on June 12 - evidently too soon considering the vast containment efforts being undertaken there and in the rest of Europe.The European championships will be played instead next year, from June 11 to July 11, 2021. **Conmebol**, the South American Football Confederation, had already announced the postponement of this year's **Copa America** to 2021.

On March 23, Uefa has postponed the finals of the **Champions League** and the **Women's Champions League** as well as the **Uefa Europa League**, which were all schdduled for May 2020, without announcing the new dates. It will keep fans entertained with classic match re-runs on the **Uefa.tv** app.

The **Roland Garros** tennis tournament in Paris, one of the most important events of the global sports calendar, has been postponed to Sept. 20 to Oct. 4, instead of May 24 to June 7. The new schedule places the Grand Slam tournament right after the **U.S. Open**, which is currently set to take place in New York from Aug. 31 to Sept. 13. The only years in its history in which Roland Garros was not contested were those during the two World Wars. Another important tournament in the tennis season, the **BNP Paribas Open** in Indian Wells, California, had already announced its postponement on March 8 because of Covid-19.

Also, the **London Marathon** has been rescheduled in connection with the coronavirus outbreak. The 40th edition of the race is now set to take place on Oct. 4, 2020. The organizers have said that the runners who cannot take part in October this year can defer their participation until the 2021 edition, which is currently scheduled for April 25 of that year, or can have their entry fee refunded. These runners may, if they wish, also decide to donate their fee to the **London Marathon Charitable Foundation**.

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Tecnica activates a Covid-19 insurance policy

The **Tecnica Group** announced on March 20 that it has activated a “Covid-19 risk insurance policy” for all its collaborators to help them in the current difficult situation, in addition to implementing all the required safety protocols. The policy, which has been subscribed with the **Generali** insurance company, covers a range of medical expenses that are not covered by the national healthy system.

The Italian group, whose brands include **Tecnica, Nordica, Blizzard, Lowa, Moon Boot** and **Rollerblade**, said it has decided to close its headquarters as well as the offices of its subsidiaries in the U.S., France, Austria and Switzerland, asking employees in customer service, sales, marketing, general management and product development to continue to work remotely. The various brands will continue to communicate with their communities through the social networks.

On the other hand, the group’s production sites in Hungary, Ukraine and Slovakia, where it is still possible to work safely, are still open, operating at full capacity.

We’ll try to get input from other companies in the snow sports sector to find out about their situation and the measures that they have taken against the epidemic.

Good results for Anta, despite a loss from Amer

Led by **Fila**, for which it has the rights for Greater China and Singapore, **Anta Sports Products** reported a 30.3 percent increase in net income to 5,344 million yuan renmimbi (€695.4m-$752.2m) for 2019, while revenues increased by 40.8 percent to RMB 33,927 million (€4.4bn-$4.5bn). The gross margin and the operating margin reached a five-year high, but the net profit margin fell to record low level of 15.8 percent because of its minority stake in **Amer Sports**.

The leading Chinese sports group continued to make a good profit last year despite a loss of RMB 633.1 million (€82.4m-$89.1m) from the inclusion of Amer Sports’ results, which are included in the bottom line since the European group became partially owned by Anta last spring, along with other investors.

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Anta said the loss was expected and doesn't affect the value of its investment in the company.

Amer's sales from March 26 to Dec. 31 were RMB 17,499 million (€2.3bn-$2.5bn), generating a net loss from continuing operations of RMB 1,003 million (€130.6m-$141.2m) and a comprehensive net loss of RMB 1,204.5 million (€155.7m-$169.7m). Comparatively, in the last three quarters of 2018, Amer had booked net income of €100.3 million on sales of €2,054.4 million.

Anta has developed a five-year development plan for Amer that calls for its three of its global brands - **Arc'teryx**, **Salomon** and **Wilson** - to reach more than €1 billion in annual sales, contributing sales of €1 billion in China alone and boosting their direct-to-consumer (DTC) operations worldwide. In November, the group started the construction of its new global retail headquarters in Shanghai. It will serve as its global management bases and international platform.

Anta said it was on track with this program for Amer in the first two months of this year, but the global spread of the Covid-19 disease has affected its implementation since March. As winter sports products play a strong role in Amer's results, the company hopes that the virus will be contained by the start of the autumn/winter season. The company suggested that government support for winter sports will motivate a shift to greater emphasis on winter apparel.

The Anta group's remaining operations are still largely concentrated on Greater China, where the coronavirus epidemic has strongly affected them. The company said it expects a low double-digit decline in its turnover for the first half of this year, but a recovery in the second half should allow it to book a sales increase for the full year.

Anta said it reacted promptly in the early stage of outbreak, implementing strict cost management while investing in community marketing, building up a more flexible supply chain, promoting innovation in e-commerce and maintaining on-time logistics and deliveries.

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Strong increases in 2019 in China

Excluding Amer, the Anta group's gross margin rose by 2.4 percentage points to 55.0 percent last year, due to a higher proportion of retail sales and the early receipt of government grants. The operating margin increased by 1.9 percentage points to 25.6 percent.

The growth in the group's sales and profits was powered by the ongoing progress of the Fila brand, for which the company has the rights for in China, Hong Kong, Macau and Singapore. With revenues up by 73.9 percent to RMB 14,770 million (€1.9bn-$2.1bn), the brand accounted for 44 percent of total sales and its operating margin advanced by 1.9 percentage points to 27.2 percent.

The Anta brand's revenues rose by 21.8 percent to RMB 17,449 million (€2.3bn-$2.5bn) and its operating margin went up by 0.9 percentage points to 26.8 percent. The other brands in the group's portfolio, including **Descente**, **Kolon Sport** and **Sprandi**, contributed sales of RMB 1,707 million (€222.2m-$240.2m), up by 33.0 percent.

This year, as previously reported, the management has been implementing a category management approach, appointing dedicated teams for three brand groups, one for its Sports brands, the other for its Fashion Sports brands and the third one for its Outdoor brands. The teams will be responsible for production, sourcing and retail, including e-commerce. The Outdoor Sports Brands Group comprises all the brands of Amer Sports, including Arc'teryx, **Atomic**, Salomon and other less outdoor-oriented brands like **Precor**. Descente and Kolon Sport brands are also part of this group. **Peak Performance**, a recent acquisition of Amer for which Anta had been bidding, has been bundled with **Fila** and Sprandi in the Fashion Sports Brand Group.

Overall, the retail sales of Anta and Fila branded products increased by mid-teens and by more than 55 percent, respectively. The total number of stores in the group reached 12,943 at the end of December. Of those, 10,516 were Anta, and 1,951 were Fila. By the end of 2020, the company expects the Anta brand stores to reach 10,200-10,300, down from 10,516 in December, while upgrading the quality of the stores. Fila stores should reach between 2,000 and 2,100 units.

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In terms of retail development, the group is focusing Fila, Descente and Kolon Sport on first and second-tier cities, while Sprandi covers second, third-tier and lower-tier cities. The Anta brand is gaining a presence in all the urban tiers in China. It has inaugurated a format of 2,000 square meters in Chongqing and Shanghai with a better appearance and a stronger focus on the customer experience. It has also launched a new concept for **Anta Kids** around a "wild park" theme, with interactive features. In September, it unveiled **A-Awake Energy**, an eco-friendly series of sportswear product. The group can convert 11 discarded 550ml plastic bottles into enough fabric to produce one piece of A-Awake Energy sportswear.

Record sales for New Wave

The **New Wave Group**, the company behind **Craft and Cutter & Buck**, saw sales jump in the fourth quarter by 4 percent to 2,024 million Swedish kronor (€183.6m-$201.0m), or by 1 percent in constant currencies. This is the highest sales level that the Swedish company has ever recorded in a quarter.

The quarterly gross margin inched up by 0.3 percentage points to 46.7 percent, while the operating margin gained 1.1 percentage points to 11.9 percent. Net income rose by 4.4 percent to SEK 165.9 million (€15.0m-$16.5m). The management said efforts to prioritize costs, earnings and cash flow bore fruits, despite the negative effects of the warm weather on sales of winter products.

In the Sports & Leisure segment, the group's revenues progressed by 3 percent from the corresponding period last year to SEK 771.7 million (€70.0m-$76.2m). The segment experienced growth in all regions, except in the U.S. Ebitda rose by 36.5 percent to SEK 115.2 million (€10.4m-$11.4m). Along with Craft and Cutter & Buck, the division includes the **Seger** and **Ahead** brands, as well as the distribution of **Speedo** in Scandinavia, among other brands and activities.

The retail sales channel remained flat while the promo sales channel advanced by 7 percent, driven by the Corporate and Sports & Leisure segments. In the Corporate channel, sales increased by 7 percent, and they fell by 5 percent in the Gift & Home Furnishing channel.

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By region, the group's total turnover in Sweden declined by 1 percent, weighed down by the promo sales channel. Revenues declined in the U.S. by 5 percent, although they improved in terms of local currencies. Sales in other Nordic countries rose by 4 percent, and revenues in Central and Southern Europe jumped by 10 percent and 8 percent, respectively. Sales in other countries climbed by 10 percent.

For the full year, New Wave's revenues jumped by 10 percent to SEK 6,903 million (€626.3m-$685.1m), or by 5 percent in constant currencies. The group recorded growth in all quarters, regions and in both sales channels. The group's gross profit margin inched down by 0.2 percentage points to 46.4 percent, while the operating margin remained flat. Net income advanced by 2.8 percent to SEK 370.1 million (€33.6m-$36.7m).

The management said that the demand for the group's products and services is expected to be significantly reduced for all operating segments during the remainder of the first calendar quarter of 2020, due to the current pandemic.

Canceled sporting events and high stock volumes at retail resulting from the warm winter are expected to affect the segment's sales negatively, along with fewer visits to physical retail stores. The risk of increased bad debt expenses is considered significant. The group said is currently taking a number of actions to reduce costs and minimize the effects of the virus outbreak.

Mixed picture for Le Coq

In a preliminary statement, **Airesis** said that the 2019 financial figures of **Le Coq Sportif** did not meet the Swiss holding company's expectations, but the management was able to react quickly, putting the necessary adjustments into action.

While Le Coq's apparel sales grew by 23 percent last year, its footwear sales declined by 10 percent, falling behind the textile turnover. Airesis indicated that it had to take some unpopular models of sneakers in the brand's spring/summer 2020 collection out of the market, replacing them quickly with new ones. The new styles showed double-digit sales gains, but in the process, the company

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accepted the reshipment of old products, which were then resold to discounters.

These measures had the effect of lowering sales by between €10 million and €11 million, the gross margin by 4 to 5 percentage points and the Ebitda by between €6 million and €8 million.

In accordance with the company's "local sourcing" strategy, which has been applied to its French-made apparel, Portugal has become now part of the supply chain, and this should improve flexibility and agility in the production process as well as product quality, said Airesis. We may note that Portugal used to be a major source of footwear for Le Coq Sportif many years ago.

Fortunately for the French sports brand, its sales of clothing jumped by 23 percent last year, with increases in all the markets, and the growth would have been even higher without the "yellow vests" strikes toward the end of 2019.

The apparel collection benefited from the implementation of dedicated Le Coq Sportif corners in many multi-brand sports shops and its showcasing in the brand's directly owned stores. Sales went up also in the women's and kids segments, Airesis pointed out.

All in all, Le Coq Sportif posted a 6.9 percent increase in its unaudited turnover to €132 million in the past year, but the gross margin went down by five percentage points to around 45 percent, leading to an Ebitda loss of €1.5 million.

In its press release, dated March 16, the management predicted that the brand will reach an Ebitda margin of at least 4 percent this year on sales of at least €140 million, but this projection probably doesn't take into account the possible impact of the coronavirus outbreak.

No pressure for the sale of Mammut

As previously reported, the **Conzzeta Group** plans to divest its Outdoor division, which essentially consists of the **Mammut Sports Group**. Addressing financial analysts, the Swiss group's management pointed out, however, that it is under no pressure to sell it at just any price because of the current economic uncertainty.

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For the time being, Conzzeta plans to have all documents ready for the collection of expressions of interest from prospective investors by May or June, with a view to holding negotiations with them in the second half of 2020.

Last year, the group's Outdoor division improved its operating margin (Ebit) to 2.8 percent from 2.1 percent in the prior year as its revenues went up by 5.9 percent to 268.4 million Swiss francs (€254.4m-$279.1m), rising by 6.8 percent in local currencies. Sales increased in Europe as well as the Americas and Asia.

The gross margin improved further thanks to the introduction of innovative products with a consistent pricing strategy and a reduction in the number of styles being offered.

This performance was particularly good considering the fact that the division suffered lower sales and earnings in the third quarter because of poor deliveries to clients. This was attributed to the processing of defective textiles by an unnamed supplier and internal difficulties in offering a largely renewed collection across an enlarged number of sales channels. **Mammut**'s online store was available in 19 countries by the end of last year.

Conzzeta pointed out that Mammut made progress in "linking consumer-relevant content with commercial offers." By the end of 2019, 120 products were fitted with the "**Mammut Connect**" app, which allows customers to access comprehensive product information through NFC technology, to use additional services and to be a member of a digital social community.

The Outdoor division performed better last year in terms of revenues than Conzzeta's two other remaining divisions, which are involved in sheet metal processing and chemical specialties. As a result the group's total revenues declined by 11.7 percent to CHF 1,573.2 million (€1,491.1m-$1,636.5m), with a drop of 4.9 percent on a comparable basis after adjusting for the sale of its glass processing segment, which went with a capital gain of CHF 29.9 million (€28.3m-$31.1 m).

The group's adjusted Ebit margin rose by 0.5 percentage points to 8.7 percent and its net income grew by 19.2 percent to CHF 136.8 million (€129.7m-$142.4m).

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Dorel Sports strengthens its cycling operations in Europe

Dorel Sports, a division of **Dorel Industries**, is scaling up operations for its **European Cycling Sports Group (CSG)**, centralizing them in the Netherlands. The management said the move will support overall growth and maintain the growing momentum of the **Cannondale** brand.

The existing Dutch assembly plant in Oldenzaal is being transformed into a state-of-the-art facility to more than double its current production capacity of Cannondale bicycles and e-bikes, and to allow for an increasing focus on premium quality products. All departments related to production and supply are being merged in the new facility.

In addition, CSG's European headquarters are being relocated to Woudenberg on a new campus. The offices in Oldenzaal and Basel, Switzerland, have been closed. The reorganization is expected to be completed by year-end and will result in estimated restructuring costs of $8 to $10 million, of which $3.8 million was recorded in the fourth quarter.

The management said this decision is supported by the excellent results enjoyed by Dorel Sports in Europe in 2019, and that the changes will enable the company to serve its customers better and boost its brand presence.

Dorel Sports posted revenues of $233.2 million for the fourth quarter ended on Dec. 30, inching up by 0.2 percent from the same quarter a year earlier. Revenues from CSG declined, although Cannondale e-bikes were popular, in contrast with the rest of the business.

The **Pacific Cycle Group (PCG)** did well, thanks to strong point-of-sale activity at key retailers and robust e-commerce sales. The company said that it obtained some relief from U.S. tariffs on children's bicycles imported from China and this mitigated the impact recorded earlier in the year.

The company's Brazilian subsidiary, headed by the **Caloi** brand, also enjoyed a sales rise in the quarter, thanks to price increases on some models and an improved product mix due to higher Cannon-

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dale sales. On the other hand, the Brazilian operation's results were affected by restructuring costs of $3.8 million from the merger of offices in São Paulo and Atibaia into a new office in São Paulo.

Overall, Dorel Sports' gross margin jumped by 3.3 percentage points to 24.0 percent. The operating profit reached $9.8 million, compared with an operating loss of $232.1 million for the fourth quarter of 2018. Adjusted to include impairment charges on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, the operating profit soared by 164.5 percent to $13.6 million.

For the full year, Dorel Sports' revenues progressed by 2.9 percent from the previous year to $909.0 million, while the gross margin narrowed by 0.2 percentage points to 21.1 percent and the adjusted operating profit rose by 1.3 percent to $191.9 million.

Dorel Sports accounted last year for 34.5 percent of the revenues of Dorel Industries, which also includes the **Dorel Juvenile** and **Dorel Home** divisions. The Canadian-based group reported annual revenues of $2.634 million, up by 0.6 percent, and an adjusted net income that fell by 57.6 percent to $16,760 million.

Technogym's sales slow down in Europe

Technogym saw a slowdown in its European business in 2019, which the Italian company blamed on uncertainty in the U.K. due to Brexit, weakness in Russia, and a difficult comparison base in Italy with 2018, when key accounts made large purchases from the big Italian supplier of fitness equipment.

However, the company still saw its overall revenues grow by 5.5 percent to €668.9 million, driven by the international market. In constant currencies, sales went up by 3.8 percent. More than 90 percent of the company's revenues were generated outside of Italy, with about 40 percent of the total coming from outside Europe.

The operating margin declined by 0.7 percentage points to 16.1 percent, due to an increase in personnel costs, mainly driven by increasing focus on digital and contents. Net income declined by 9.6 percent to €83.4 million

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Revenues declined by 8.0 percent in Italy to €58.7 million and inched up by 1.7 percent in the rest of Europe to €330.3 million. Asia-Pacific stood out, rising by 16.1 percent to €118.3 million, followed by North America with a growth of 13.4 percent to €87.7 million. Sales went up by 9.9 percent to €49.9 million in the Middle East, India and Africa and by 15.3 percent to €24.0 million in Latin America.

Field sales, which represented 74 percent of turnover, rose by 5.0 percent in euros. Sales to distributors and inside sales climbed by 6.5 percent and 4.6 percent, respectively. Retail sales jumped by 24.3 percent, but only accounted for 1 percent of total revenues. The company said this segment still has a marginal weight in its business model, retaining for the moment a showroom function to support the other main sales channels.

During the quarter, Technogym launched a new immersive training experience accessible both in existing clubs or in new boutique fitness studios, called **Skillathletic**.

Technogym did not give an outlook for 2020 due to uncertainty surrounding the coronavirus outbreak, particularly because it is the official supplier of exercise equipment to the athletes for the Tokyo Olympics, which has been postponed. However, it confirmed medium-term guidance of constant and sustainable growth, adding that it expects to see most of its future growth from international markets, especially North America and APAC.

Vulcabras has restructured its production

Noted for its insistence on local manufacturing of athletic and women's shoes, the owner of the **Olympikus** brand and licensee of **Under Armour** in Brazil completed the second wave of expansion of its two main factories in Brazil at the end of last year. While starting the second phase of its expansion program, it concluded in January the sale of another factory employing 950 people in Sergipe for 25 million reais (€4.5m-$4.9m) to another footwear company that will continue to make products for **Vulcabras** for a limited period of time.

The company previously had a total staff of more than 14,000, including administrative employees. The idea is to concentrate manu-

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facturing at Vulcabras' enlarged plants in Ceará and Bahia, which now measure 70,000 and 50,000 square meters, respectively. Both located in the Northeast area of Brazil, they will be used to make shoes for the company's three brands – Olympikus, **Azaleia** and **Dijean** – and for Under Armour, for which Vulcabras has obtained the Brazilian license. A tax incentive granted by the government of the Ceará state has been extended through 2031.

In October, the company introduced five new models of Under Armour shoes developed in Brazil with its own technologies for greater profitability. One of them, the **Charged Odyssey**, came with a triple layer of cushioning. Vulcabras also said that it has implemented a new process to make knitted leather uppers for greater comfort and more efficient manufacturing.

For the fourth quarter of 2019, the first one in which the Brazilian group's results were comparable with those of the corresponding period of the previous year following the Under Armour deal, Vulcabras has reported a 2.9 percent drop in its net income to R$ 45.1 million (€8.2m-$8.8m) on 5.6 percent higher net revenues of R$ 373.9 million (€67.8m-$72.9m).

Sales of athletic footwear rose by 4.8 percent in the quarter, representing 74.0 percent of the total turnover, while sales of women's shoes increased by 4.0 percent to 15.6 percent of total revenues. Under Armour contributed higher sales with higher average prices. Sales of women's shoes rose slightly in Brazil, due to higher average prices, but declined slightly abroad.

The quarterly gross margin declined by 2.0 percentage points to 35.8 percent and Ebitda fell by 12.9 percent to R$ 60.2 million (€10.9m-$11.7m). The number of units increased by 1.9 percent to 7.4 million, adding up items of footwear, clothing and accessories.

The results for the full 2019 financial year show a drop in the adjusted net profit of 12.1 percent to R$ 128.6 million (€23.3m-$25.1m). The 2108 results were weighed down by expenses of R$ 2.8 million for the acquisition of Under Armour's business in Brazil.

The annual turnover increased by 8.9 percent to R$ 1,360 million (€246.7m-$265.1m), but the gross margin declined by 1.2 percen-

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tage points to 34.7 percent.

Vulcabras' sales of athletic footwear went up by 6.6 percent to R$ 1,008 million (€182.9m-$196.5m) last year. Women's shoes were up by 1.7 percent to R$ 195.6 million (€35.5m-$38.1m). Sales of apparel and other accessories more than doubled.

Taking advantage of an existing e-commerce platform established by Under Armour in Brazil, Vulcabras internalized the online sales operations of Olympikus and Azaleia. In addition to Azaleia and Dijean, Olympikus launched its own mobile app in the third quarter, yielding the first results in the last months of the year.

While reserving the Under Armour brand for the top tier of the athletic footwear market, Vulcabras continued to upgrade its offer under its more affordable Olympikus brand, notably with the launch at the end of the year of a new running shoe, the **Corre 1** model, backed by a strong advertising campaign featuring a racing circuit in scenes in a paradise. Across the group, spending on advertising and marketing rose to 5.8 percent of revenues in the fourth quarter and 5.1 percent of revenues for the full year.

Vulcabras noted that its performance was relatively good in 2019 as the consumption of shoes and clothing increased by only 0.1 percent in Brazil in the course of the year.

The company said it is working on a strategy of portfolio diversification and expansion in South America. However, foreign markets represented just 8.5 percent of the group's sales in the fourth quarter of 2019.

Noted for its insistence on local manufacturing of athletic and women's shoes, the owner of the Olympikus brand and licensee of Under Armour in Brazil completed the second wave of expansion of its two main factories in Brazil at the end of last year. While starting the second phase of its expansion program, it concluded in January the sale of another factory employing 950 people in Sergipe for 25 million reais (€4.5m-$4.9m) to another footwear company that will continue to make products for Vulcabras for a limited period of time.

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Alpargatas' growth softened in Q4

Against the backdrop of a Brazilian economy that grew by just 1.0 percent in 2019, in line with the previous one, **Alpargatas**' consolidated revenues grew by 9.8 percent last year to 3,712 million Brazilian reais (€672.4m-$724.4m), driven by an improved of **Havaianas** in international markets. The adjusted net income went up by 29.5 percent to R$ 431.6 million (€78.2m-$84.2m).

The growth rate declined to 5.6 percent in the fourth quarter, leading to revenues of R$ 1,142.7 million (€207.3m-$222.8m) for the period. In contrast with the balance of the year, sales went up by 6.8 percent in Brazil, driven by a better price and channel mix, but those of the company's **Sandals International** business declined by 2.2 percent to R$ 133.9 million (€24.3m-$26.2m), mainly due to a revision of the distribution structure in Asia-Pacific.

In an interesting development, Alpargatas launched a new retail format in Brazil, called **Store Lab**, for its own Havaianas and **Osklen** brands and for the licensed **Mizuno** brand, featuring internet kiosks where customers can see how the products can be used in their daily lives, with a choice of colors.

The company's adjusted Ebitda rose by 16.7 percent to R$ 214.5 million (€38.9m-$41.8m) in the quarter following the implementation of a Revenue Growth Management Initiative, a Value Improvement Program and various Zero-Base Budgeting projects. The adjusted net income went up by 23.6 percent to R$ 197 million (€35.7m-$38.4m), but it was up by only 14.1 percent to R$ 135 million including discontinued operations.

As previously reported, Alpargatas sold its interest in an Argentinian subsidiary that owns the rights to the **Topper** brand of football products outside Brazil during the fourth quarter for R$ 260 million (€47.2m-$50.7m).

Alpargatas is now a subsidiary of the big Brazilian **Itaúsa** group. The net income of Alpargatas that is attributable to its shareholders declined last year to R$ 274 million (€49.7m-$53.4m) from R$ 332 million in the prior year, but its results were dwarfed by those of the group's main subsidiary, the **Itaú Unibanco Holding**, which claims to be the largest private bank in Latin America. The Itaúsa group's

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overall net income went up last year by 9.3 percent to R$ 10.3 billion (€1.87bn-$2.01bn). Incidentally, Itaú is the main banker of **Vulcabras Azaleia** (see related article in this issue).

The North Face is exploring new territories

The North Face is reserving some interesting new surprises in its footwear range for the spring/summer 2021 season, to be presented at the **OutDoor by Ispo** show in Munich later this year. At the last **Ispo** show in Munich, the brand created a sensation with its highly technical "**Advanced Mountain Kit**," which will only be available in limited quantities at selected retailers and on the brand's website, starting in May.

The innovative technologies and materials used in the kit will be made more broadly available to consumers through TNF's **Summit Series** in the autumn of 2019.

The brand's new, high-priced line for mountain sports consists of a total of 21 products designed in collaboration with professional alpinists, covering everything from equipment to clothing and footwear that is necessary for an expedition under extreme conditions. The basic idea was to develop a complete system of expedition equipment that would quickly and efficiently prepare athletes for all tours.

According to **Scott Mellin**, global general manager for Performance Sports at TNF, "expeditions are now planned and carried out much faster than they used to be, so we have developed a complete, coordinated equipment system."

In terms of clothing, the five-layer system consists of a breathable, packable, warm and light layer system from underwear to waterproof hardshells, and from gloves to mountain boots. The equipment includes a tent, a sleeping bag and various sports bags and backpacks. The whole kit carries a price tag of about €25,000. The price of the sleeping bag is about €1,200, and the hardshell costs €1,500.

With the new line will initially be sold by only nine partners in Europe, twelve in the U.S. and four in Asia. The nine retail partners in

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Europe are **Au Vieux Campeur** in France, **Barrabes** in Spain, **Sport Specialist** in Italy, **Brigham Mountain Sports** in the U.K., **Nordiska Kompaniet** in Sweden, **8a.pl** in Poland, **Schuster** in Germany, **Sport Marathon** in Russia and **Sportsnett** in Norway. Elements of the line will also be available in limited quantities on TNF's website.

The new premium kit features many new technologies including variations of **Futurelight**, the new proprietary waterproof/breathable technology launched by TNF at Ispo Munich last year for introduction in the autumn/winter 2019/20 season. The brand is now widening its distribution worldwide and applying it to more affordable items such as rainwear.

Other new textile technologies applied to the "Advanced Mountain Kit" include an asymmetric inner and outer construction of down chambers, called "Cloud Down," which provides increased thermal performance; "50/50 Down," consisting of down baffles paired with a highly air-permeable face fabric for less bulk and enhanced thermal regulation in the breathable down layer; and "FutureFleece," a full-loop woven construction made of octagonal yarn with hollow cross-sections for increased thermal performance.

The base layers use "Dot fleece," which combines a special hole construction with hydrophobic inner and hydrophilic outer yarns to help the wearer stay dry.

Completing the range, TNF is introducing a very lightweight combination of three footwear solutions that make use of its own Futurelight technology along with other proprietary technologies and innovative constructions, partly developed in partnership with **Spectra**: the **Summit L3 Insulated Climb Gaitor**, the **Summit L2 Super Approach Boot** and the **Summit Futurelight Down Bootie**.

Lenzing focuses on specialty fibers for sustainable growth

In view of the rapidly spreading cornavirus epidemic, the Austrian fiber producer withdrew its former guidance and said it is now expêecting its results to decline in 2020. Due to a "historically difficult" market environment in 2019, **Lenzing** posted lower revenues and earnings for 2019. Sales reached €2,110 million, down by 3.3

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from the previous year, hampered by lower selling prices and standard fiber volumes, the company said. The Ebitda margin narrowed by 2.1 percentage points to 15.5 percent, while net income dropped by 22.4 percent to €114.9 million

During the year, the share of specialty fibers increased significantly to account for 51.6 percent of revenues, compared with 45.5 percent in 2018. This was driven by the positive mix effects and more resilient specialty fiber prices in 2019. The management said the focus on specialty fibers has been contributing to the company's resilience in the past year.

One of the highlights of the period is the start of the construction of a state-of-the-art lyocell production facility in Thailand. This is part of the group's efforts to achieve stable and profitable growth, while improving the ecological footprint of the textile and nonwovens industry by expanding the production of specialty fibers. It is scheduled to be completed by the end of 2021.

Compared with the previous year, the number of end products labelled with the **Tencel** brand – which are made with specialty fibers – nearly doubled to 173 million.

Lenzing is aiming for a substantial reduction in CO2 emissions, for which investments of more than €100 million in sustainable technologies and production facilities are earmarked in the coming years.

The group will also build a dissolving wood pulp plant in Brazil with its partner **Duratex**, and Lenzing said the plant is expected to start operations in the first half of 2022. Lenzing and Duratex hold 51 percent and 49 percent, respectively, in the joint venture.

Efficiency gains boost Stella's profits

Stella International's profits for 2019 soared by 54.2 percent to $95.9 million. It attributed this improvement in profitability to progress in migrating production capacity from Mainland China to Southeast Asia, including the ramping up of operations at its new manufacturing facility in Vietnam, which makes sports fashion footwear for **Nike.** It also believes that the efficiency gains it achieved as the result of the ongoing refinement of its manufacturing footprint

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enabled the company to become more responsive to its customers, while also raising its ability to defend its margins.

The Chinese company's revenues were down by 3 percent from the previous year to $447.9 million. However, the gross margin rose by 1.6 percentage points to 19.0 percent, while the adjusted operating margin, which excludes finance costs, tax expenses and one-off items, improved by 1.2 percentage points to 8.2 percent.

Fashion footwear continues to be the largest part of its business, accounting for 38.0 percent of sales, compared with 36.2 percent in 2018. Sports fashion has grown to represent 35.1 percent of turnover, up from 32.7 percent for the previous period. Conversely, the share of the casual segment dropped from 29.3 percent to 25.6 percent.

By region, North America was responsible for 51.2 percent of sales, followed by Europe at 27.6 percent and China at 12.1 percent.

The management said that operational stability will be the focus in 2020, followed by margin optimization through efficiency improvements and changes to the product mix. It will also further diversify its manufacturing base from China to Southeast Asia.

In addition, Stella will integrate its leathergoods business into the listed company. Over the past few years, it has progressively developed a capability for manufacturing high-end handbags and small leather goods for luxury brands looking to outsource their production. Over time, it expects the leathergoods business to be a new growth driver, as it adds more high-end customers and explore synergies between this segment and its footwear manufacturing operations.

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News Briefs & Short Stops

Corporate

Boardriders has sold its brand of wetsuits, **Xcel**, on undisclosed terms to **ZG Collective** of Colorado. Boardriders had recently decided to grow its six primary brands – **Quiksilver**, **Billabong**, **Roxy**, **DC Shoes**, **RVCA** and **Element** – over the long term by investing in digital operations, category extensions, new go-to-market models, new partnerships, streamlined product development programs and sustainability. According to the company's chief executive, **David Tanner**, Xcel accounted for "less than 1 percent of our global sales." **Roth Capital Partners** served as financial adviser and **K&L Gates** as legal counsel on the deal.

Executive Changes

Kevin Eskridge, chief product officer of **Under Armour**, is set to be the latest high-ranking executive to be leaving the company. Officially, he is due to quit on Aug. 15 to "pursue other interests." He joined the company in 2009, well before **Patrik Frisk** became president and chief operating officer in mid-2017. Many members of **Kevin Plank**'s inner circle have left since Frisk's appointment including **Charlie Maurath**, chief revenue officer, who was also in charge of international sales, and **Peter Ruppe**, product manager for footwear. Two other top executives are still in place. They are **Colin Browne**, who replaced Frisk as chief operating officer, and **Paul Fippe**, chief experience officer, who came on board before Frisk.

Clarus Corp. has appointed **Kelly Davis** as executive vice-president of operations and talent, effective March 26. Davis previously served as a vice-president and general manager of **Idex Corp.**, a diversified engineered products company, where he was responsible for the **Trebor** and **Knight** business units. Prior to joining Idex, he served as senior operations lean manager at **Ultradent Products**, a global dental supply and manufacturing company. He began his career as an independent consultant, helping companies across Utah optimize operations for profitable growth.

Hanesbrands, the parent company of **Champion** and other brands, has announced that its chief executive, **Gerald W. Evans Jr.**, is planning to

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retire on Jan. 2, 2021, after the end of the current fiscal year. Evans, 60, has been with Hanesbrands for 36 years and has held the top job since 2016. The company is looking at both internal and external candidates for a replacement.

TaylorMade Golf Company has appointed **Rick Paschal** as chief financial officer, with oversight of finance, accounting and treasury as well as IT. He will report to the company's chief executive, **David Abeles**. Paschal served for years in finance-related executive positions at the food companies **Pepsi**, **Pillsbury**, **Nestlé** and **Godiva** before switching to other sectors. He subsequently spent about eight years in finance and operations with **Coach** and three years as chief financial officer and treasurer of **Varsity Brands**.

Wolverine Worldwide has appointed **Joelle Grunberg** as global president of its **Sperry** division and **Tom Kennedy** as global president of the **Wolverine** brand, with oversight for the Licensing Group and membership on the acquisitions team. Grunberg has spent the past seven years as president and chief executive for North and Central America at **Lacoste**. She began her career in accounting and consulting, with posts at **Ernst & Young**, **Deloitte** and **McKinsey**, before becoming CEO for watches and jewelry at **Galeries Lafayette** and then CEO of business development at **Celio**, a French chain of clothing stores. She currently serves as an independent director on the board of **Ecco Shoes**. Kennedy has spent the past three years in Boston as president of Sperry and is now returning to Michigan, where Wolverine has its headquarters. He was hired by Wolverine in 2015 as president of apparel and accessories. He has also served as a division president at **Pacific Sunwear**, as a vice president of **Fossil** brand, in **Nike**'s U.S. apparel division, in **Old Navy**'s men's, boy's and men's active departments, and as a merchandising manager at **Gap**.

Distribution

In an effort to get closer to consumers, **Ecco** has decided to restructure its European sales organization, decentralizing the management of its wholesale operations. They will be led by a dedicated general manager in each of the three European regions. In the framework of this reorganization, **Erik Heldoorn**, sales director for Europe, has chosen to pursue a different role outside the Danish group, but he will stay on board until mid-2020 to perform a handover of his responsibilities. Ecco's North region (Scandinavia) will be led by a new

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general manager, **Patrick Iversen**, who will also take care of the West region (Benelux, the U.K., Ireland and Southern Europe) on an interim basis. **Michael Christensen** will remain general manager for the Central region (Germany, Austria and Switzerland). The general managers will report to **Lindsay Nicolai**, Ecco's regional director for Europe.

Retail

Alltricks, the French-based e-tailer controlled by the **Decathlon** group since last September, is planning to open its fourth brick-and-mortar store. According to reports in *sport-guide.com*, the new Alltricks store will be located in Lyon-Bron, near a Decathlon store. With a surface of 280 square meters, it will be smaller than the other three physical stores of the banner, located in Issy-les-Moulineaux, Coignières and Saint-Mitre-les-Remparts, all of which are in France. The opening is scheduled for the beginning of May. A fifth opening is scheduled before the end of the year. Alltricks specializes in the cycling, running and outdoor segments. Decathlon acquired a controlling share in the e-tailer in September 2019 (as reported by *SGI Europe* - Vol. 30 n°31,32 of 17/09/2019). In 2019, Alltricks registered a 25 percent sales increase to €81 million.

An employee at **Zalando** has tested positive for coronavirus and is staying home under self-imposed quarantine. The European e-tailer has since sought to determine who at its headquarters in Berlin, Germany, came into contact with the infected employee over the previous 14 days. It has asked those staff members to stay home as well and cleaned its headquarters. Zalando was already cutting back on business travel and events and had invited employees to work from home.

+++ **Fanatics** and **Inter Miam CF**, the **Major League Soccer (MLS)** team part-owned by **David Beckham**, have announced a long-term omnichannel retail partnership +++

Results & Statistics

According to the *Irish Examiner* newspaper, **Decathlon** generated annual sales of more than €1.1 billion in Ireland in 2018 even though its first physical store on the national territory is set to open no sooner than next month – at Ballymun in north Dublin. The main reasons appears to have been logistic in nature. The French sporting goods

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retailer began selling online in Ireland in August 2017, receiving about 60,000 orders per year. Sales for the first six months or so amounted to €269,361, but they picked up quickly when, in October 2018, **Decathlon Ireland** became a supply hub for the company's European retail operations. The €1.1 billion in revenues were generated over about two months of business. Pre-tax profits for 2018 amounted to no more than €6.45 million, because of the company's cost of sales: €1.08 billion. Post-tax profits were €5.64 million. Decathlon Ireland received a cash injection of €500 million during 2018.

Standard & Poors and **Moody's** have both downgraded the credit rating of **Boardriders**, the parent company of **Quiksilver**, **Roxy**, **Billabong** and other action sports brands. S&P has reversed its outlook to negative based on results and guidance provided by the company to the rating agency. It feels that its operating cash flow will continue to be negative in 2020, but it doesn't expect Boardriders to default on its loans, noting that its owners are in negotiations with lenders and may inject more liquidity to shore up the balance sheet. Moody's is concerned that the group continues to burn cash but feels that it will be able to fulfill its bank covenants and maintain adequate liquidity thanks to synergy-related improvements in the gross margin over the next 12 to 18 months.

Russian sporting goods retailers reported a 28 percent increase in sales during the first week of March as compared to the same period of the previous year, according to the Russian government. The explanation offered by **Tass**, the state-owned news agency, is that the coronavirus epidemic has encouraged a growing number of companies to send their employees home for remote working, giving them more time to practice sports. Another reason why people have been rushing to purchase sporting goods is an anticipated price hike of up to 300 percent for some products due to temporary shortages and a slump in the exchange rate of the Russian ruble during the past few weeks, according the Moscow-based **Center for Macroeconomic Analysis and Short-Range Forecasting**. This is in contrast with more recent research indicating a possible 40 percent drop in the number of shoppers at clothing and footwear stores in March, leading their owners to ask landlords to be excused from paying rents for a while. There is still no retail lockdown in Russia, where the Covid-19 virus has been less harmful than in Western Europe So far. As of March 24, there were only

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495 cases of reported contamination in the country, and in most of them the infection has been found in people who had travelled in the European Union. The Russian government has adopted a set of measures aimed at tackling the epidemic such as cancelling events, banning foreigners from entering the country, closing schools, theaters and museums. All Russian citizens coming from their vacations in Europe are ordered to stay at home for self-quarantine for a two-week period. Against this background, online sales for all categories of goods have been soaring in Russia. The volume of the online market in Russia could jump by 25 percent to 2.5 trillion rubles (€29.3bn-$31.6bn) in 2020, said the Russian **Association of Internet Trade Companies**, adding that almost all online retailers planning to hire more personnel as they are experiencing an acute shortage of couriers. On the other hand, Russians who are staying home in quarantine are ordering food and other goods of prime necessity on a massive scale, plus recreational goods.

The **Vietnam Leather and Footwear Association (Lefaso)** announced in early February that the domestic footwear industry was likely to reach its export target of $24 billion this year, as a result of the U.S.-China trade war and the related shift in sourcing. According to reports in *Vietnam Plus*, Lefaso forecast an increase of 10 percent in the value of footwear and bag exports to $24 billion. This was, however, prior to the international outbreak of the coronavirus crisis, also at the economic level, whose end and effects are as yet unknown.

Legal & Institutional

Wolverine Worldwide has agreed to pay $69.5 million to local authorities and the state of Michigan over several years to remedy water contamination from chemicals used in a now-closed tannery and other company-owned facilities in the state. On the other hand, WWW will get $55 million in a lump sum from **3M** as a settlement for the **Scotchgard** treatment used in the tanning process that caused the damage. The money paid to local authorities will help them to extend a municipal water system to serve 1,000 affected properties. WWW will continue to maintain water filters and resample some residential wells while adjusting its former tannery and other sites.

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Product

Under Armour has begun to use auxetic materials, which when placed under tension. thicken at perpendiculars to the direction of the force applied. They have been adopted in the brand's football cleats including the **Clone Blur MC**. The material, called **Clone Adaptive**, purports to improve speed and comfort by reducing friction at certain points of the shoe, and to give the shoe the same fit and feel for every athlete. UA has already used Clone Adaptive in the spacewear it designed for **Virgin Galactic**'s astronauts and in the boot of a champion heavyweight boxer, **Anthony Joshua**.

Vans has announced a range of shoes specially designed for consumers with autism spectrum disorder (ASD). The shoes feature sensory-sensitive elements, such as a calming color palette and an encouraging message on the back of each heel. One model in the collection, designed for kids and toddlers, features a single strap hook-and-loop closure, which enables wearers to don and adjust the shoes easily. Vans worked with the **International Board of Credentialing and Continuing Education Standards** to create the designs. The company will be donating at least $100,000 of the proceeds from this collection to the **A.skate Foundation**, a non-profit that promotes the social integration of autistic children through skateboarding.

Hoka One One, the fast-growing running footwear label of **Deckers Brands**, is launching its first apparel line for runners, walkers, fitness enthusiasts and outdoor adventurers. For the moment, the 27-piece collection for men and women will only be available online at the brand's American website, *hokaoneone.com*. Twenty items are also available now on the European website, *hokaoneone.eu*. On the American website, the highest-priced run jacket, which uses **Gore-Tex Shakedry** technology, is offered for $250. The insulation of the unisex **Puffy Jacket** uses **Primaloft**. All the performance tops are made with **Polartec Power Dry** fabric, where at least 50 percent of the fabric is made with recycled fibers. The collection, which also includes a casual hat, was designed based on feedback from nearly 4,000 consumers. Meanwhile, Hoka said it is "re-defining" ultra-size and ultra-performance in its footwear range with the launch of a new wider and innovative platform to maximize ground contact in downhill running through its new **TenNine** shoe. Designed to offer improved stability and grip, especially on softer surfaces, it also features a heel extension

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whose geometry is intended to manage the impact on the rear foot and a smoother transiton to the rest of the foot. The new model is available in Europe online at a top-of-the-range price of €250 per pair.

Ecco Golf is launching the new **Golf Street 10** hybrid shoe. The launch marks the 10th anniversary of the introduction of the spikeless golf shoe, worn by **Fred Couples** at the first round of the **Masters** tournament in April 2010. That was an important moment in the history of golf shoe design, as golfers realized that it was acceptable to wear spikeless shoes on and off the golf course. Today, Fred Couples is a staff ambassador of the brand. The new Ecco Golf Street 10 model, limited to 700 pairs globally, features an all-new midsole material called **Pu Phorene**, which is meant to soften impact and increase the rebound properties of the shoe. The **Dynamic Traction System** of the shoe is said to offer 800 traction angles for grip in all playing conditions. Added design features include bronze detailing on the lace ends, two eyelids and the "**Hybrid 10**" logo in bronze screen print on the heel. The Ecco Golf Street 10 hybrid shoe, available in white only, comes in a commemorative shoe box.

Huntsman Textile Effects has developed a new dyeing technology for polyester and its blends that helps to save water, energy and costs. **Terasil Blue W** is the name of the latest addition to its **Tersail W/WW** range of fast disperse dyes. It has been specially developed for high-performance sportswear and athleisure wear. Huntsman's aim is to respond to the needs of the ever-growing sportswear market, which increasingly demands brilliant and deep shades with constant color reproducibility and lower resource consumption. Terasil Blue W products are bluesign-approved and suitable for Standard 100 by Oeko-Tex certified textile products.

Marketing

According to *Tennis.com*, **Roger Federer** has regained the rights to the **RF** logo, now that **Nike** has sold its remaining stock of RF branded apparel. The logo has not featured on Federer's sponsored apparel since his switch from Nike to **Uniqlo** about two years ago, in a deal that industry speculation has valued at about €30 million. Federer continues to wear Nike sneakers in the absence of a sponsorship. It remains to be seen whether the logo will appear on Uniqlo apparel.

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According to *Bicycle Today Magazine*, **Giant Manufacturing** – ostensibly the world's largest bicycle manufacturer – has established a new brand architecture. **Giant Group** hopes to consolidate resources, optimize corporate growth, and develop both OE and consumer brands while placing an emphasis on the brand portfolio. The group is to serve as parent company to various business units and to the four product brands: **Giant**, **Liv**, **Momentum** and **Cadex**. The newest of these brands, Cadex, was founded last year to provide premium bicycle components. Liv is specifically for women's bikes and Momentum for urban and commuter bikes. The oldest brand, Giant, dates back to the company's founding in 1972. The new structure is two years in the making and has produced a new and already operative B2B website. The objective now is to develop a worldwide, group-level brand apart from the product brands. The group says its new motto, "Raise The Bar: Advancing the entire cycling world," aligns with its metaphysical goal of promoting a new kind of cycling culture throughout the world. Giant Group has 14 sales companies worldwide. It will continue to support the **Cycling Lifestyle Foundation**, **YouBike** (the public bike-sharing system) and the **Giant Travel Agency**.

+++ **Adidas** will replace **Puma** as the new kit supplier to **Bordeaux**, the football team competing in the French **Ligue 1**, starting in the 2020/21 season +++

Trade Shows & Other Events

+++ The **Internet World Expo** trade show, originally scheduled for March, has been postponed to avoid the corona crisis until Oct. 13-14 in Munich +++

CSR & Sustainability

Bluesign has released revised criteria as part of its mission to help the fashion and textile industry reduce its environmental impact. Among its changes, the latest update brings increased consideration of definitions and terminology as well as the implementation of new sections, such as the criteria for fiber manufactures. This update marks the first time that revisions of bluesign criteria have taken place through collaboration with stakeholders. Starting in 2019, an array of stakeholders – brands, chemical suppliers, other industry consultants, NGOs, etc. – suggested more than 30 points

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for consideration, around the shared goal of raising the benchmark and ensuring harmonized measures across the industry. Bluesign criteria now comprise specific guidelines for fiber manufacturers' production sites. These include, for example, the requirement for fiber manufacturers to offer traceability of recycled fibers for recycled materials in order to achieve bluesign approval.

Etnies is expanding its "**Buy a Shoe, Plant a Tree**" project, which calls for the donation of one tree to **Trees for the Future** for every purchase of a pair of shoes from this year's collection. The program has already enabled the skate shoe brand to reach its goal of planting two million trees by 2020.

Milliken & Company, the textile manufacturer that acquired **Polartec** last year, has established a partnership with **National Geographic** to promote the circular economy. This is in keeping with one of the company's objectives for 2025: to "convene scientists and thought-leaders to advance the goal of solving the plastics' end-of-life challenge." The collaboration began last month, when Milliken sponsored a forum on the circular economy at the headquarters of National Geographic in Washington, D.C. (image below). Meanwhile, the knit fleece fabric that Polartec designed to be made of recycled plastic bottles has so far, according to the brand, kept 1.5 billion single-use plastic bottles out of landfills. Some 95 percent of the bottles' residual matter is used for other products, such as flooring, furniture, insulation, and even horse shoes.

The European B2B publication *Boardsport Source* reports that **Surfdome** and **Patagonia** have embarked upon an initiative, called "**Plastic Cutback**," to rethink the poly bag. According to Surfdome, 80 billion items of clothing are sold per year, almost all packed in poly bags, and 72 percent of all plastic, much of it from the apparel industry, ends up in landfills or in the wild. The boardsports retailer began rethinking poly bags with its "Zero Plastic Pollution Strategy," initiated in 2015. As the company says in a short video online, however, the problem turns out to be multifaceted. For one thing, poly bags are generally not recyclable with other household waste; there is no clear and easy disposal system for consumers. For another, poly bags are necessary insofar as they protect finished products and keep them from becoming a kind of double waste: both as matter to be discarded and as production for no useful end. The common solution, the bio bag,

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needs refinement, as it tends to biodegrade either too early or too late. Plastic Cutback is a compromise applying to all Patagonia products sold on Surfdome during a three-month trial running through June 16. Patagonia distributes its products in 100 percent recycled poly bags, and now Surfdome will be removing those bags right before shipping and recycling them itself. In time, Surfdome hopes to extend the policy to the 800 odd brands stocked by **Internet Fusion Group**, to which Surfdome belongs.

Texon, the producer of materials for the footwear industry, is seeking to achieve what it calls a "zerofootprint" by 2025. It is pledging over the next five years to reduce its carbon footprint and use of virgin raw materials – particularly cellulose – by 50 percent, to increase the portion of recyclable or reusable waste in its total to 90 percent, and reduce its water consumption and water waste by 20 percent. As for methods, Texon's chief executive, **Jelle Tolsma**, says the company will be "embedding the five Rs of sustainability into everything we do: Rethink, Reduce, Re-use, Recycle and Recover." Changes in transport, he continues, will be key to reducing Texon's emissions of CO2. This could mean moving factories closer to the customer base or substituting ocean freight for air freight. The company says that at present 80 percent of its supply of polyester fiber is recycled, and its factory in Dongguan, China, claims to treat and reuse all of its wastewater. Texon has also set up post-production recycling programs for such products as the **Reform**, the **87 Series**, the **Rite** and the **XO**. The company operates in about 90 countries.

The **YKK Corporation** has signed the **Fashion Industry Charter for Climate Action**. The **Fashion for Global Climate Action** initiated calls on the fashion industry to recognize the industry's contribution to climate change and its responsibility to achieve climate neutrality. YKK joins the more than 100 existing signatories of the charter, which supports the goals of the **Paris Agreement** to limit the global temperature increase to less than 2°C above pre-industrial levels and sets specific targets for the entire fashion industry to implement. These targets focus on a 30% overall reduction in greenhouse gas missions by 2030 and the achievement of net zero emissions by 2050. The Fashion Industry Charter for Climate Action was presented at **COP24** (24th Conference of the Parties to the United Nations Framework Convention on Climate Change) in December 2018 under the auspices of United Nations Climate Change. YKK said that it would continue its efforts to iden-

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tify and reduce greenhouse gas emissions in its business activities, including raw material sourcing, production processes, logistics, and supply chain. It also wants to set science-based targets within the next two years that meet the latest findings in climate science needed to achieve the Paris Agreement targets. YKK is aiming for certification of the **Science Based Targets** initiative. ►YKK had already made a commitment to the environment in 1994 as part of its corporate philosophy "Cycle of Good" and the development of **Natulon**®, the first zipper made from recycled PET bottles and polyester residues, 26 years ago. **Hiroaki Otani**, president of YKK, said: "Signing the Charter not only signals to the world our continued commitment to sustainability in our product development and manufacturing processes but also our desire to work with other organizations in the industry to accelerate the reduction of greenhouse gas emissions."

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