Special Message From SFIA Research

For the past 107 years, the Sporting Goods Manufacturers Association (SGMA) has been the leading source of research-based knowledge for the sports and fitness industry. As you will note by the new logo above, the Sporting Goods Manufacturers Association has recently transitioned to a new name for our organization: Sports & Fitness Industry Association, with the acronym SFIA. The foundation of our trade association and the core constituents who benefit from an affiliation with our organization remains the same. However, we believe the new name represents a much clearer reflection of our current and future membership. This is not a shift in philosophy for our organization. It is simply a more accurate and transparent indication of the broader industry segments that we serve.

This cover page serves to make you aware of our new name and simultaneously explains why you will see references to SGMA throughout research reports that pre-date our transition from SGMA to SFIA.

For more information related to the rebranding process, please visit the SFIA website at www.sfia.org/about/sfiafaqs to review our FAQ’s. You may also contact SFIA Headquarters at 301.495.6321.
"THESE COMPANIES ARE NOT PLANNING TO SIT ON THE SIDELINES ANY TIME SOON."
page 9

"IF YOU’RE NOT MASS CUSTOMIZING, YOU’RE NOT IN THE MARKET."
page 26

"THEY THINK THEIR CUSTOMERS BELIEVE IN THE SAME VALUES OF FRIENDSHIP, EXCELLENCE, RESPECT..."
page 37
ABOUT THIS REPORT

Estimates of manufacturers’ shipments are based on an annual SGMA State of the Industry Survey, (SOTI), of sporting goods/fitness companies, shipment data provided by a sample of manufacturers, confidential discussions with knowledgeable company and trade association executives, reports from public companies, data from trade organizations and the U.S. government, consumer buying surveys, interviews with industry executives and analysis of economic reports, sports participation studies and media coverage.

As a result of increased use of industry supplied shipment data starting in 2006, we have revised some estimates from prior years. In some cases, it was not possible to accurately do this. We believe our estimates since 2006 provide the most accurate measurement of wholesale shipments for the U.S. sporting goods marketplace.

Participation data is from an online survey of U.S. households conducted in January during 2008, 2009, 2010, 2011 and 2012 by Sports Marketing Surveys. The sample sizes have ranged from 38,000 to 60,000 individuals.

To accomplish all this, the SGMA has formed the Physical Activity Council, an alliance with five other trade associations to increase research accuracy, and trend data. The associations are the National Golf Foundation, the Outdoor Foundation, SnowSports Industries America, International Health & Racquet Sports Association and the United States Tennis Association/Tennis Industry Association.

The 2012 participation survey sample size of 38,172 completed interviews provides a high degree of statistical accuracy. All surveys are subject to some level of standard error—that is, the degree to which the results might differ from those obtained by a complete census of every person in the U.S. As a general rule, larger sample sizes provide greater accuracy. For example, a sport with about 14 million participants has a standard error of plus or minus 4% of participants. A sport with 2.7 million or fewer participants has a standard error of plus or minus 8% of participants. Therefore, caution should be used when dealing with data on smaller sports, especially those with fewer than 1 million participants.

SGMA Research has the ability to do nationally representative research. Please contact Neil Schwartz at Sports Marketing Surveys/SGMA Research for additional information:

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EXECUTIVE SUMMARY

The sporting goods industry is, by definition, competitive and scoreboard-driven. This is not unique to the sector, but evaluating the playing field, the competition and the conditions are a part of the industry culture, and in this report is a collection of what we see as some of those tools toward success. In any competition there are winners and losers. Taking a step back and stepping into both hard data and human perspectives is not simply intended to be interesting. It is intended to inform and inspire success - positive outcomes for producers and users in the space.

Areas of Positivity

Analysis of the latest data and expectations produces what we see as continuation of positive momentum started with data that came late in 2010. From a “playing field” view, there appears to be ample opportunity to justify optimism, including:

+ Surveyed trade leaders reporting growth, and forecasting more growth
+ Wall Street analysts’ support of the sporting goods category
+ U.S. Consumer Sentiment level is the highest since 2007 (University of Michigan)
+ Overall wholesale shipments (dollars) at a three-year high, including 2 of 5 categories at five-year highs
+ Participation by Millennials is higher than other generational segments, even in non-Team sports
+ An Olympic Year always brings sports and fitness back into the mainstream, at least for a period of time
+ Sporting goods industry performance again outpaces GDP

![Graph of Sporting Goods Industry Wholesale Shipments ($$) vs GDP](image-url)

GDP includes sales of consumer durable goods including: cars, appliances, business equipment, electronic equipment, home furnishings and fixtures, house wares and accessories, photographic equipment, recreational goods, sporting goods, toys and games. Non-durable goods include footwear and apparel. Durable goods are typically characterized by long inter-purchase time, the time between two successive purchases.

Source: Bureau of Economic Analysis, U.S. Commerce Department
Areas of Concern

With apologies to The Toyota Way, we accept the task of proactively looking for problems to fix, and anticipating the next challenges, rather than settling on positive metrics. Some areas of concern when analyzing survey data, media and in-depth interviews, include:

+ The number of totally inactive Americans continues to grow: up to 68+ million, and we’ve added 9 million inactives just since 2007
+ Production concerns still weigh on manufacturers, from sourcing and material costs to labor availability and costs
+ The sports equipment category is showing a delay in responding to other positive indicators: shipments still below 2007 levels and consumers not willing to say they will spend more
+ Overall participation trends flat to slightly down: Americans are moving away from traditional individual sports, and some new activities are still too new to be counted on as non-fads
+ The Consumer Product Safety Commission is still focusing efforts on electronic injury surveillance, and governing bodies, rule makers, manufacturers and retailers will need to continue to read and react to the affects on participation and product expectations

Maturing Trends

Although there is a wide range of “hot topics” that could have been our feature focus in the 2012 State of the Industry Report, our priority this year is on trends that are not new, but rather maturing.

*Mass customization* is a macro, universal reality, from the tens of thousands of beverage combinations at Starbucks to the “consumer empowerment” claimed by executions such as the Threadless model. For sporting and fitness goods, efforts have focused mostly on performance (fit) and style (personalization), with varied success. We present the viewpoint that mass customization is past its infancy and into its maturity, and that sporting goods brands are increasingly working on how - not if - to deliver to the “market of one”.

*Class-based fitness* is also a mature category with fast evolution and a great deal of innovation. The foundation for this mature trend is the steady nature of fitness activity amongst the active American consumer. Americans are likely to stick with general fitness activities, even well beyond peak performance years, while their interest in organized or competitive “sports” may come and go. Classes have evolved and consumers are excited to try new things. But is this a fad-based category or are there universalities that can be capitalized upon?
This is an Olympic year, but the U.S. Olympic Committee has a lot at stake every day when it comes to the health of sports and fitness in this country. Olympic success is something that matters to actives and inactives alike, and it impacts the success of sporting goods manufacturers and retailers in both the short-term and long-term.

Public education funds are heavily threatened in many states, and the modern youth athletes are being pulled in many directions and are more likely than ever to narrow their sporting focus.

Our conversations with Scott Blackmun (CEO, USOC) and Bob Gardner (Executive Director, NFHS) were candid and inter-connected. They each emphasized the importance of cultivating and growing sports specifically, but also the spirit of healthy competition, generally. Their “grow together” philosophies are refreshing and their connection to the reality of on-the-ground challenges are inspiring.

“...SPORTING GOODS BRANDS ARE INCREASINGLY WORKING ON HOW – NOT IF – TO DELIVER TO THE “MARKET OF ONE”.”
SGMA Research, powered by Sports Marketing Surveys USA is the sole provider of marketing research and analysis for the Sporting Goods Manufacturers Association, (SGMA). This partnership places SMS at the forefront when it comes to marketing research for all things sport, sports participation and current trends in sports.

Sports Marketing Surveys USA has been in business since 1985, providing quantitative and qualitative marketing research and information for many of the leading manufacturers and organizations throughout the industry.

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- Dealer Studies
- Market Trend Analysis
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- Market Size Evaluations
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2012 PREVIEW
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