FSPA Central European Sporting Goods Report

The third of the FSPA European Sports Research projects is the Central European Report, covering the larger 5 countries **France, Italy, Austria, Switzerland and Germany** and consisting of 4 volumes:

Executive Summary – FRANCE

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Executive Summary

THE SPORTS GOODS MARKET IN CENTRAL EUROPE

FRANCE

Contents

- **333 pages of text and charts**
- **Case studies of successful and unsuccessful market penetration**
- **In-depth analysis of Décathlon, Adidas and 51 other significant players**
- **Ten product categories studied from top to bottom**
- **Consumption trends and effective marketing strategies**
- **Comprehensive market and foreign trade statistics**
- **Listings of 138 executives interviewed and 300 distributors and retailers**
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Background and Methodology

We are pleased to present here a uniquely comprehensive market report on the French sporting goods market. It is the first volume of our research into the markets of alpine Europe, which completes a five-year research project sponsored by the British Federation of Sport and Play Association and by the British Chambers of Commerce. This project has taken us through 38 other countries around Europe, from Ireland to Poland and from Finland to Turkey, and two in Central Asia (see the chart after the table of contents). Including the present volume on France, this makes up a total of 4,262 pages of research published so far.

The next three volumes in this last series on the European sports goods market will cover Italy, Germany, Switzerland and Austria. They are expected to be published between July and September 2009.

We are using here the same methodology and the same definition of the market that we had previously applied to the countries of Eastern, Northern, Southeastern and Southwestern Europe. The use of a similar check-list of topics being covered more or less in depth in each country report allows the reader to compare and benchmark one market against the other, providing useful cues to maximize growth and market penetration in each one of them.

We start each country report with a discussion of the general economic background, followed by the available data on sports participation and on governmental initiatives intended to promote it. This is followed by a set of import-export statistics for the last three years and by a description of the major national manufacturers and suppliers. We then analyse the general size and structure of the national sporting goods market and the market situation in ten major product categories, one by one.

Each country report continues with an analysis of the supply chain at the wholesale and retail stages, accompanied by profiles of major suppliers, distributors and retailers. We then review briefly the characteristics of the national consumer and discuss some of the marketing actions used to promote the sale of sporting goods products. Each country report ends with a series of recommendations on how to optimize market penetration, although some tips are implicitly given throughout the report, in the introductions and the in the final remarks.

As with our previous country reports, we have followed a two-pronged approach in our research. On one hand we have collected all the available information that we could find published in printed documents and on the internet for each country, mostly relying on local researchers and on Searce, who are experts in the analysis of foreign trade statistics. This stage included the provision of selected statistical data by market research firms.

At the same time, several experienced business journalists working with Sporting Goods Intelligence have interviewed scores of leading French industry executives and visited many different sporting goods stores around the country. The names of all the individuals whom we have interviewed in are listed in the appendices along with many other useful names and addresses of distributors, retailers and industry experts.

The French Country Report

France has a large and mature sporting goods market that has been well documented, mostly in the national language. Building up on the existing information, we are presenting here the most comprehensive report on the French market in the English language (more than 300 pages), adding to the available facts and figures some unprecedented insights into its workings at all levels of the supply chain.

Leaning on more than twenty years of journalistic experience and contacts in covering the European sporting goods business, we have interviewed more than 130 industry executives in France, and many others elsewhere, to collect the sort of information that should prove most useful to optimize your business in this market. Some of the very specific aspects of the French market are a repellent for some foreign brands. We strive to analyse them in a way that should prevent them from committing some costly mistakes, enabling them instead to take advantage of its particular structure.

The competitive environment is very challenging in France because of the power of some national and foreign sports brands that have become a mighty part of the French consumer’s mindset at large. It is startling to note that, in a recent survey of brands that are most favored by French consumers, Adidas obtained the highest score, ahead of some fashion or electronics brands. Nike was not far behind, illustrating the power of sports brands in the French consumer’s mind.

Just as strikingly, a recent survey of French retailers showed that Decathlon is the favorite banner. It came out ahead of other retailers in any other sector, illustrating the kind of sea-change that it has brought about by introducing the concept of verticalized large-scale sports retailing – with the self-declared objective of making sports accessible to a larger swathe of the French population.

Economy

France has the world’s sixth-largest economy. It continues to cultivate its own model, be it in politics or in economics. It was shaken up in 2007 by the election of Nicolas Sarkozy, an outspoken liberal who wanted to revive the French economy by instilling a more entrepreneurial spirit in the country. He has had to water down his positions, partly due to the global crisis that started to bite in the second half of 2008.

Protective measures that are in-built in the French system have softened the country's economic growth as well as the consequences of the global downturn. They have prevented the French economy from expanding as fast as some of its neighbours in the last years, with GDP growth running at an average annual rate of 2.2% from 2004 until 2007. However, France's economy has held up better than many others in Europe in the face of the global crisis, as state support has provided at least some cushioning. It is forecast that France's GDP will decline by about 3% in 2009.

Sports participation

The French do not shine as the most active people in Europe. But there is a very dense network of sports associations and facilities in France, making sports available to nearly all at a relatively low cost, if not for free. Social and medical pressure to adopt an increasingly active lifestyle, be it for young people or for women and senior citizens, all play in favour of an increased use of these facilities.

The most recent and comprehensive study on the matter, conducted on behalf of the French federation of sporting goods retailers (FPS) in 2007, found that 51.6% of French people aged between 4 and 65 years participate regularly in a sporting activity in their free time, equivalent to 23.8 million people.

Our report has numerous statistical and historical tables on participation in all kinds of sports activities. While cycling and swimming predictably top the list of most practised sports in France, the third place is occupied by pétanque, a form of bowling that is much less common in other parts of Europe. When it comes to organised sports, the football federation boasts by far the largest number of registered players, but other team sports have been rising, from handball to rugby. The tennis federation has more than 1 million members.

Market size

Like in our previous country reports, we provide a full and detailed set of statistical tables on imports and exports of all kinds of sporting goods items over a three-year period before outlining our conclusions on the size of the sporting goods market, broken down for different categories of products and different channels of distribution.

Between the growth in sports participation and the popularity of some sports brands and retailers, the country's sporting goods market has grown into the second-largest one in continental Europe, according to our own definition. The downside is that it has been suffering from acute price pressure in the last years – owing to growing concentration, the impact of large-scale retailers and growing concerns about buying power.

Our estimate is that the French market reached about €8.5 billion at retail level in 2008. This is largely based on the estimate of the FPS, which placed the market at €9.1 billion for the year, down by 0.5%. Our estimate is slightly adjusted, for example by withdrawing a large share of sales generated by bicycles used chiefly for transportation.

French sporting goods market in 2008

Market size before VAT	€7.1 billion
Market size after VAT	€8.5 billion
Growth	- 0.5%
Consumption per capita	€132.2

Source: EDM Publications

Until 2003, the market enjoyed several years of growth above 4%, but in the subsequent years annual growth hovered around 2% and suffered from unabated price pressure. With a decline of just 0.5% in 2008, the sporting goods market held up relatively well. However, its performance weakened much more substantially in the first half of 2009.

Chapter 4 of our report goes on to provide very detailed descriptions of the French business in ten major sports categories (fitness, all kinds of team sports, racquet sports, action sports, snow sports, water sports, outdoor, etc. - see the summary further below). For each category, we outline the market position and the distribution strategies of each of the most relevant brands, and we discuss the ways in which they are sold and marketed to consumers. Full profiles are provided for more than fifty French specialist suppliers, from Babolat to Lafuma, Bic, Salomon, Rossignol, Petzl and many more (see the complete list of company profiles further down).

Tennis, alpine skiing and action sports are categories that are particularly relevant to the French market, featuring French suppliers and disproportionate investment by international companies that have their European head office on the Atlantic coast or at the foot of the Alps. Further highlights are the dynamics of the outdoor business and the potential of the fitness category.

Distribution

Our report further analyzes the distribution patterns prevailing in the French market. It studies the choices made by suppliers in setting up a French subsidiary, appointing a distributor, an agent or a licensee, describing the causes for success or failures of these formulas, depending on the scope and strategy of the suppliers.

France is one of the European countries where many companies opt for a subsidiary, due to the complexities of the market and its sheer size. The rule of thumb is that a subsidiary might be worthwhile starting from sales of about €3 million, but our report points to companies that have their own profitable operations in France with lower sales, and others that are much larger and still prefer to entrust their business to sharp distributors.

Furthermore, this chapter contains extensive descriptions of the structure and strategies of the largest brands in the French market, led by Adidas, ahead of Nike and Puma. It goes on to provide details on the relationships between distributors and retailers in the country – including commercial arrangements that are very specific to the French market.

Retailing

The French sports market is deeply impacted by a growing concentration of its retail business and the relative weakness of independent retailers in the country.

Decathlon has overhauled the market by coming up with large-scale and relatively cheap sports retailing. It reported French sales of €2.5 billion in 2008 and its growth has outpaced the market, so that its market share rose to almost exactly 30% (based on our adjusted estimate of market size).

But beyond this scope, it is one of the most significant shifts of the last years that Decathlon has ramped up its private labels to represent about 60% of its overall sales in France, giving other brands little chance to get any more space on its store shelves in coming years. We have obtained an unusual level of collaboration from Decathlon, which has enabled us to analyze its overall methods and position, as well as its strategy and its results in specific categories.

Other sports retailers trail far behind, the second-largest one being Intersport. All others are below €750 million a year and some of them are unable to make any profit, as in the case of Go Sport. The most determined counter-attack in the last months has come from Sport 2000, which has taken several gutsy initiatives to improve its French business. Sport 2000 is followed by Skiset, an interesting voluntary group of ski retailers.

As shown in our report, Decathlon is not only frustrating some suppliers and other retailers – they appear almost hypnotized by this fast-growing competitor. While a few years ago they often refused to sell products featuring at Decathlon, some have begun to imitate the choices of the market leader.

All of this is placing pressure on independent retailers, particularly in the outdoor business. However, it should be pointed out that independent specialists are taking market share in several French categories, particularly racquet sports.

Footwear retailers have a relatively small share of the market in France, and leading suppliers have taken determined action, including legal steps, to limit their exposure in French supermarkets.

Other chapters delve into the attitude of French consumers towards sports brands and retailers, and marketing tools that are used by suppliers and distributors in this sector. Furthermore, the report provides some more guidance on the joys and pitfalls of doing business in France.

These issues should not overshadow opportunities in the French sports market once broader economic worries ebb away. As shown in our study, some particularly astute distributors have managed to create sub-markets in France, and are hugely enjoying the benefits. There are several larger categories left to be more thoroughly explored.

Furthermore, the relative lack of insights among distributors in quite a few categories may be a weakness, but it could be regarded as an opportunity for other companies that work the market more thoroughly. Again, our study has shown examples of companies that have broken through in France and dislodged much more established rivals with relatively simple but consistent and effective tactics.

It is not a marketing accident that Decathlon was named as the most popular retailer in France in 2009. The company is offering an alternative that consumers clearly appreciate, and is hereby contributing to the spread of a wider sports culture in France. It is up to their competitors and suppliers to catch the ball and make sure that the benefits of these dynamics are more broadly shared.

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COMPANY PROFILES

Adidas
Aigle
Airness
Aqua Lung
Asics France
Au Vieux Campeur
Babolat
Banana Moon
Beal
Beuchat
Bic Sport
Casal Sport
Case study: Salewa France
Cham 3 S
Chatex
Cornilleau
Crossways
Cycleurope
Décathlon
Domyos
Dorotennis
Eden Park
Fitness Boutique
Golf Plus
GPG
Groupe Go Sport
Groupe Royer (Converse)
Intersport France
Julbo
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Lafuma
Le Coq Sportif
Made in Sport
Mondovélo
New Balance France
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