

Nike, Adidas, Puma, Under Armour: Sizing up the sportswear giants in 2020

It is fair to say 2020 has been a rollercoaster year for every retailer, not least those who rely on a steady supply of sport to sustain their businesses. For the biggest sportswear brands on the planet, each of whom are taking stock after an immensely challenging 12 months, there has been little choice but to adapt.

By Michael Long | Posted: November 27 2020 |



Not even the world's preeminent sports apparel and footwear companies have been able to outrun the coronavirus pandemic. In fact, all have found themselves fundamentally exposed by the very nature of their sprawling businesses.

Of course, the four largest sportswear firms - Nike, Adidas, Puma and Under Armour - are multinational corporations that have long relied on bricks-and-mortar retail, transcontinental supply chains, and a regular flow of elite sport. Needless to say, then, the impact of Covid-19 has been seismic.

Revenues have plummeted across the board this year, prompting widespread layoffs, accelerated restructuring processes, and rising inventory levels. Share prices have fluctuated wildly amid the economic uncertainty stirred by the virus outbreak, and even if the recent easing of lockdown measures has alleviated some of the pressure, there remains an uncertain path ahead for the titans of sportswear.

"In the US, the footwear and apparel businesses have been very challenged," says Matt Powell, a veteran retail analyst and senior sports industry advisor at market research firm NPD. "The athletic side has fared better than the fashion side, but both have been challenged, and it's reflected in the results for these brands here."

One recent trend among the biggest sportswear players is an industry-wide shift away from a wholesale model towards direct-to-consumer sales, both through ecommerce and company-owned and operated retail outlets. That trend, as Powell notes, has only been accelerated by the pandemic as more consumers have shopped online.

"We're absolutely seeing a move to greater online purchasing than we've ever seen," he explains. "We expect, this year in the US, that online purchasing of athletic footwear will fall out at about 40 per cent of sales, and online sales of activewear will fall out at about 40 per cent. These are new highs that we've never seen."

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Nike: Betting big on digital

In June ([https://www.sportspromedia.com/news/nike-q4-loss-pandemic-online-sales-john-](https://www.sportspromedia.com/news/nike-q4-loss-pandemic-online-sales-john-donahoe#:~:text=Sportswear%20giant%20sees%20revenue%20slump,%246.3bn%20due%20to%20pandemic.&text=Nike%20has%20reported%20quarterly%20lo)
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after a torrid fiscal fourth quarter in which it was forced to close roughly 90 per cent of its physical retail outlets, Nike reported a 75 per cent surge in online sales. Ecommerce revenue rose to 30 per cent of its total revenue for the first time and a full three years ahead of schedule, while online sales climbed again
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by 82 per cent in the three months up to 31st August even as retail outlets reopened, with significant gains seen in North America, China, Europe and the Middle East.



Still, Nike's year can be read in either of two ways. Despite a significant drawdown of almost 40 per cent in March, the value of the company's stock has rebounded and then some, doubling in value from its 2020 low and up over 25

per cent in the year. Nike's unique scale, brand strength and its big bet on digital transformation have clearly bred confidence among investors that the company can emerge from the Covid-19 crisis with a truly differentiated, digitally connected experience unmatched within the global marketplace. News (/news) Insights (/insights) SportsPro Magazine (/magazine) Podcasts (/podcasts) Playbook (/playbook) Most Marketable (https://50mm.sportspro.com/sign-up/newsletter/sign-up/evergreen) On the evidence of this year, few would bet against Nike achieving its target of a 50/50 split in wholesale and digital sales within the next three years.

- Nike named sporting world's most marketed brand in social media (https://www.sportspromedia.com/news/nike-sports-marketing-brand-social-media-ranking-adidas-emirates)

Executive view:

“
Our results this quarter continue to demonstrate Nike’s full competitive advantage, as we strengthen our position in the midst of disruption. In this dynamic environment, no one can match our pace of launching innovative product and our brand’s deep connection to consumers. These strengths, coupled with our digital acceleration, are unlocking Nike’s long-term market potential.
”

John Donahoe, Nike chief executive

Adidas: A prudent approach

Like arch rival Nike, Adidas has seen its revenues evaporate in 2020. With more than 70 per cent of its physical stores closed during the height of the pandemic, revenue for the first half of 2020 (https://www.sportspromedia.com/news/adidas-kasper-rorsted-ceo-revenue-hit-pandemic) fell by 27 per cent to €8.332 billion (US\$9.807 billion), while operating losses totalled €333 million (US\$391 million). Sales in Europe, North America and Latin America dropped off a cliff as its Chinese business flatlined. In the three months to September (https://www.sportspromedia.com/news/adidas-posts-improved-q3-earnings-but-warns-of-further-covid-19-hit), operating profit was down 12 per cent to €794 million (US\$934 million) on the back of sales of €5.96 billion (US\$7.01 billion).

In August, Adidas estimated that coronavirus-related charges had cost the company around €500 million (US\$592 million) to date. In the aftermath of the Covid-19 outbreak, the company secured a German government-backed emergency loan, a move which forced it to suspend dividend payouts to shareholders. The loan has since been replaced with a new €1.5 billion (US\$1.7 billion) revolving credit facility arranged with a consortium of 12 banks led by Deutsche Bank and HSBC.

Despite the drop in overall revenues, however, the world’s second-largest sportswear company did see ‘exceptional growth’ in online sales. Business generated through its own ecommerce channels increased some 93 per cent during Q2 alone, with growth throughout April and May accelerating at a triple-digit rate. In Q3, ecommerce sales jumped 51 per cent, with two-thirds of online revenue in Europe and the United States coming through Adidas’ loyalty programme, which now has 150 million members.

Broadly speaking, Adidas’ performance mirrors that of Nike, but the German brand is facing its own unique set of challenges. According to reports, the company is mulling a cut-price sale (https://www.sportspromedia.com/news/adidas-reebok-sale-kasper-rorsted-vf-corporation-anta-international) of Reebok, the Boston-based brand it bought for US\$3.8 billion in 2006, amid mounting losses and growing pressure from shareholders. Private equity firms Permira and Triton are said to be exploring a possible acquisition (https://www.sportspromedia.com/news/reebok-adidas-private-equity-sale-permira-triton), with Kasper Rorsted, Adidas’ chief executive, accepting his company may be forced to settle for less than €2 billion (US\$2.3 billion) to offload a brand it has struggled to rejuvenate over the past 14 years.

In March, Adidas is expected to lay out its next five-year strategic plan. Some analysts expect Reebok will not be part of that plan, but there will be many eagerly waiting to hear Adidas’ view of where the brand’s future lies.

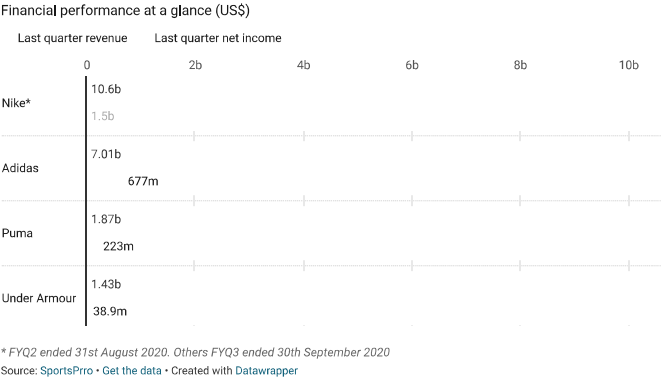
“The Adidas business in the US has been challenged for a couple of years now,” says Powell. “The Reebok thing was never a good fit. They paid far too much money for it when they bought it 15 years ago, and I think Reebok as a standalone brand actually could be quite successful. But it’s challenging to have two footwear brands that are essentially aimed at the same customer owned by one company and competing with each other. My gut is that Reebok will have a second life.”

Executive view:

“
While at the beginning of the quarter we were on track for growth in Q4, a worsening of the pandemic in many regions of the world is again requiring our patience and support. However, this is not taking us by surprise. Thanks to our prudent approach, we are now well-prepared to cope with these short-term uncertainties. At the same time, we are even better positioned to benefit from the long-term industry growth drivers accelerated by the pandemic such as health and wellbeing, athleisure and digitisation.”
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Kasper Rorsted, Adidas chief executive

How the sportswear giants stack up

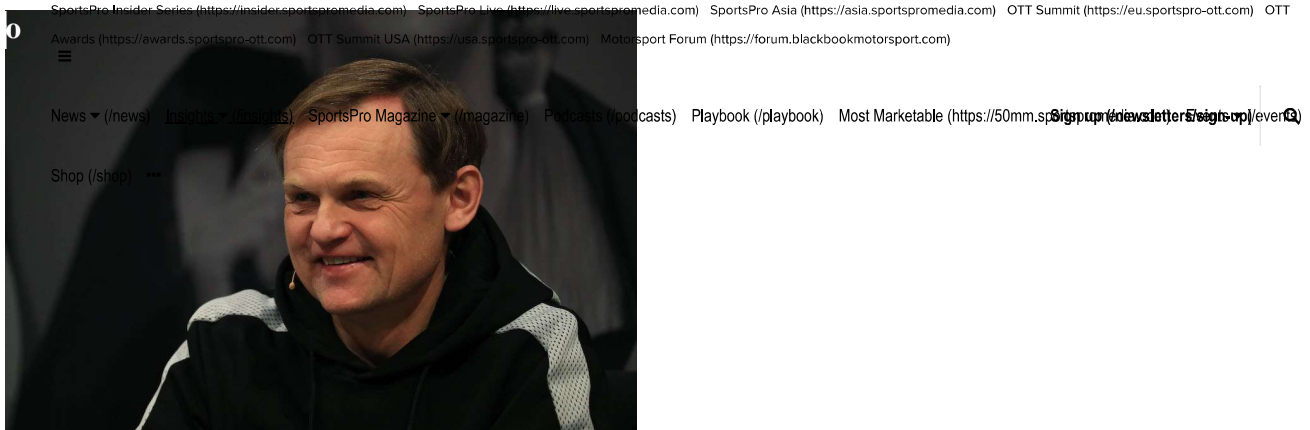


Puma: Back to basics

Puma ended 2019 in rude health. Over the prior six years, annual sales had nearly doubled and operating profit had grown sevenfold. That upsurge came about primarily due to a shift in focus away from lifestyle and fashion towards sports, a repositioning that has coincided with a move by Kering, the French luxury goods group, to gradually divest its shares in the company.

“Puma has probably been the best-performing brand here [in the US],” says Powell. “They’ve been riding some really good retro fashion products and the footwear has leveraged the apparel business for them. The intention here is to create, in the consumer’s mind, [a perception] that they are a performance brand and not just a fashion brand.”

Not surprisingly, though, 2020 has posed clear challenges. Hampered by widespread store closures, including a Chinese business which the company said ‘basically disappeared’, Puma saw its net profit for the first quarter fall to €36.2 million (<https://www.sportspromedia.com/news/puma-earnings-q1-2020-profit-revenue-online-sales-coronavirus>) (US\$39.1 million), a 61.6 per cent year-on-year drop on the same period in 2019. Quarterly sales fell to €1.3 billion (US\$1.4 billion) from €1.32 billion (US\$1.42 billion), although ecommerce sales rose by around 40 per cent.



Chief executive Bjorn Gulden has taken steps to reposition Puma as an athletic performance brand

By Q3, after securing an additional €900 million (US\$1 billion) revolving credit facility in May, the German brand had rebounded on the back of improved sales in the Americas and Europe, with categories such as basketball, motorsport, golf and team sports showing the highest growth rates. Quarterly sales rose by 13 per cent to €1.58 billion (US\$1.87 billion) and operating profit grew 17 per cent to €190 million (US\$223 million), beating analyst projections. All told, direct-to-consumer sales grew by 60.9 per cent during the quarter, contributing to ecommerce growth of 66.5 per cent in the first nine months of the year.

Still, even after a strong Q3, chief executive Bjorn Gulden warned that Puma will be unable to provide a decisive forecast for the fiscal year due to lingering uncertainty surrounding the pandemic.

In spite of the obvious challenges, Puma has advanced its sports marketing efforts this year. Gulden, a former professional soccer player and one-time boss of Danish jeweller Pandora, has sought to refocus the brand's investment back into sport as part of a long-term strategy to return to its "core values".

Having signed expensive deals with the likes of Manchester City and AC Milan in recent years, Puma landed one of the hottest properties in world soccer when it poached Brazilian star Neymar (<https://www.sportspromedia.com/news/neymar-puma-king-boots-sponsorship-nike>) away from Nike, while it continues to be linked with a lucrative deal (<https://www.sportspromedia.com/news/raheem-sterling-puma-endorsement-deal-manchester-city>) with England's Raheem Sterling. Elsewhere, the company snared top NBA Draft prospect LaMelo Ball (<https://www.sportspromedia.com/news/lamelo-ball-puma-sponsorship-deal-nba-draft-big-baller-brand>) and struck a landmark, four-year deal with Athletics Australia that represents the largest apparel partnership in the governing body's history.

Executive view:

“Retail stores reopened, sports events resumed, consumer confidence improved and our sales increased week by week. I feel this strong performance confirms the strength of both Puma as a brand and the sporting goods industry in general.”

Bjorn Gulden, Puma chief executive

Under Armour: A strategic refocus

After a rampant period in which the self-professed challenger brand racked up quarter after quarter of 20 per cent-plus growth, Under Armour's recent travails have been well-documented. A costly restructuring culminated with a leadership change last year, when Patrik Frisk became the firm's chief executive, and hundreds more layoffs (<https://www.sportspromedia.com/news/under-armour-job-cuts-covid-19-restructuring-costs>) have since been implemented across its global workforce due to the financial impact of Covid-19.

With the virus having taken its toll throughout 2020, including a US\$193 million loss for the second quarter, the Baltimore-based brand shelved plans for a flagship store on Fifth Avenue in New York.

"The Under Armour business is a long-term play," says Powell. "As we start to emerge from the pandemic it's apparent that we're going to see a shift into performance wear as fashion again. People are going to be more concerned about living healthy lifestyles and staying fit, and the recent Under Armour results have been much better."

For the three-month period ending 30th September, Under Armour's year-on-year sales were flat at US\$1.4 billion, although they outstripped analyst estimates. Wholesale revenue in Q3 decreased seven per cent to US\$830 million but, like its main rivals, the brand saw direct-to-consumer revenue increase, with quarterly sales climbing 17 per cent to US\$540 million on the back of strong growth in ecommerce and rising demand for workout gear.



Under Armour is currently being sued by the University of California, Los Angeles - with whom it signed the richest apparel deal in college sports - for breach of contract

Perhaps the most significant move made by Under Armour this year is its strategic shift away from connected fitness, which accounts for three per cent of its overall revenue. In late October, the company announced a deal to [sell its MyFitnessPal platform](https://www.sportspromedia.com/news/under-armour-myfitnesspal-sale-francisco-partners-q4-2020-financial-results) to private equity firm Francisco Partners for US\$345 million, just five and a half years after acquiring it for US\$475 million, while also confirming it would discontinue its workout-tracking platform Endomondo by the end of the year.

"I really think MyFitnessPal never was a good fit for Under Armour," Powell continues. "MyFitnessPal is much more about weight loss than it is about getting fit or staying fit or measuring fitness levels. I think your typical Under Armour customer is not somebody who is overweight."

Under Armour has meanwhile been rethinking its sports marketing strategy. Amid its restructuring process that could cost as much as US\$600 million, the company sought to renegotiate some of its most costly contracts, including [major athlete endorsement deals](https://www.sportspromedia.com/news/under-armour-athlete-endorsement-deals-coronavirus-revenue-losses-q1-2020) and a [big-money agreement](https://www.sportspromedia.com/news/ucla-bruins-under-armour-cancel-texas-tech-coronavirus) with the University of California, Los Angeles (UCLA), which remains [in the process of suing the company](https://www.sportspromedia.com/news/ucla-under-armour-contract-termination-lawsuit) for breach of contract.

Executive view:

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Our third-quarter results reflect considerably better than expected performance due to higher demand and our strong execution, especially in North America. We believe that the critical mass of our transformational challenges is behind us, and we remain sharply focused on operational improvements and financial discipline to accelerate strategies to create sustainable, long-term growth for the Under Armour brand and our shareholders.

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Patrik Frisk, Under Armour president and chief executive

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