

EXCERPT from the Digital IQ Index®: **Sportswear**
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L2
DIGITAL IQ INDEX:

January 28, 2014

SCOTT GALLOWAY
NYU Stern

in partnership with:
isobar

Sportswear

REVENGE of the Nerds

Pocket pen protectors and M.I.T. diplomas are on the rise in Portland, Oregon. Wearables, mass customization, and e-commerce have made engineering degrees the equivalent of a Rose Bowl ring. More than a third of global Sportswear brands offer customization of products ranging from swim goggles and hiking boots to running shoes and cold-weather jackets. Nike now offers more than 450 customizable products through its NikeID program.

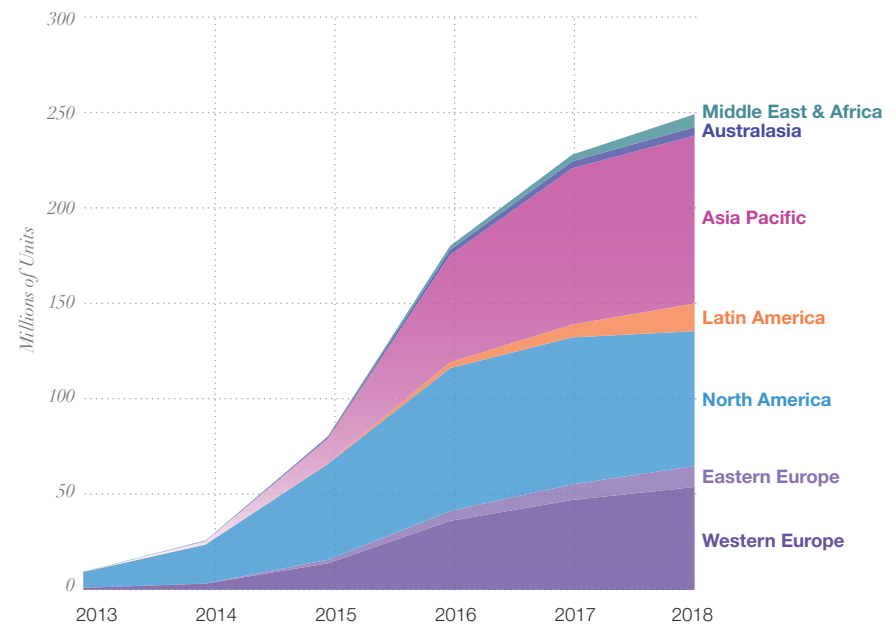
Winning

Tech firms Apple and Google should own the wearables market. However, while Angela Ahrendts moves from London (Burberry) to Cupertino (Apple) and “Glassholes” (Google) try to show the world why spectacles warrant sensors, Sportswear firms have established a leadership position in wearables with robust, useful products. The competition is fierce. Nike, Adidas, Under Armour, and Fitbit have custom wearable fitness products that foster loyalty and exploit network effects in a category projected to explode to \$50 billion in sales over the next five years.¹

E-commerce

E-commerce is the fastest growing channel in Sportswear, but is still only 6-7 percent of total sales.² Direct-to-consumer/vertical channels are even smaller. Nike tallied 540 million in sales in fiscal 2013 through Nike.com,³ or 2.1 percent of global sales (forecasted to reach \$2 billion by 2017). Rival Adidas registered direct-to-consumer e-commerce sales growth of 77.5 percent in 2012 (versus 11 percent total sales growth). However, online sales are only 1.1 percent of

Wearables: Forecasted Sales by Region
2013–2018



Source: Euromonitor, December 2013.

By 2017, wearable devices will drive 50 percent of total app interactions (on mobile devices).
Source: Gartner, January 2014.

total sales.⁴ More recent entrants including Lululemon do better, suggesting the friction is focus and aptitude, versus consumer behavior. The yoga apparel retailer registers 16.3 percent of its sales via e-commerce.⁵ In the fourth quarter of 2013, Lululemon rolled out m-commerce devices in high-volume stores to increase inventory availability.

1. "Wearable Technology Market Set to Explode, Could Reach \$50 Billion, Says Credit Suisse," Vikram Kansara, Business of Fashion, May 19, 2013.

2. "The Sportswear Revolution: Global Market Trends and Future Growth Outlook," Magdalena Kondej, Euromonitor International, July 2013.

3. "Nike envisions \$2 billion in web sales in four years," Mark Brohan, Internet Retailer, October 21, 2013.

4. "Global web sales grow nearly 80% for adidas," Mark Brohan, Internet Retailer, March 25, 2013.

5. "Direct-to-consumer sales increase 37% for Lululemon in Q3," Katie Evans, Internet Retailer, December 12, 2013.

Hurdles

Despite the opportunity, several challenges hamstring the Sportswear industry online:

- **E-commerce giant Amazon threatens** to undercut price and brand perception in a market increasingly focused on premium products. Although 57 percent of Sportswear brands sell on Amazon, major players including Adidas, Nike and Puma have limited their distribution on the platform.
- **Sportswear brands have yet to exploit** multichannel marketing opportunities. Despite the shift to vertical retail and substantial investments in e-commerce, few brands connect the two. Only 11 percent of Sportswear brands feature real-time inventory integration, and just three—Eastern Mountain Sports, REI, and The North Face—provide in-store pickup. While brand mobile apps have been successful, just 28 percent incorporate a store locator.
- **Personalized marketing and customer service lag.** Only 14 percent of brands personalize emails, and just a quarter send automatically triggered abandoned-cart emails. Site customer service features (e.g., live chat) are employed by less than half of brands.

Digital IQ = Shareholder Value

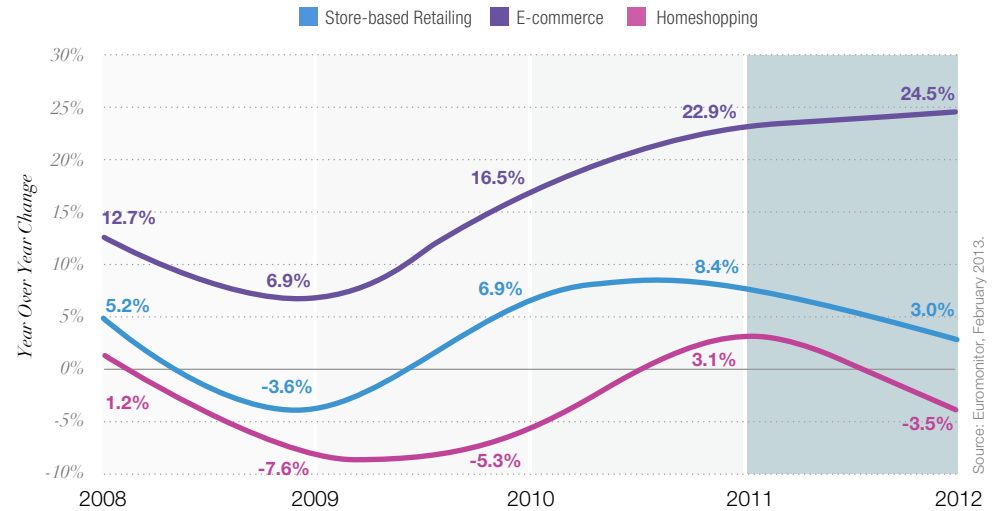
Our thesis is that digital competence is linked to shareholder value. This study attempts to quantify the digital competence of 57 global Sportswear brands. Our aim is to provide a tool for identifying strengths and weaknesses, helping brands achieve greater return on digital investment. Like the medium we are assessing, our approach is dynamic. Please reach out with comments that improve our methodology and findings.



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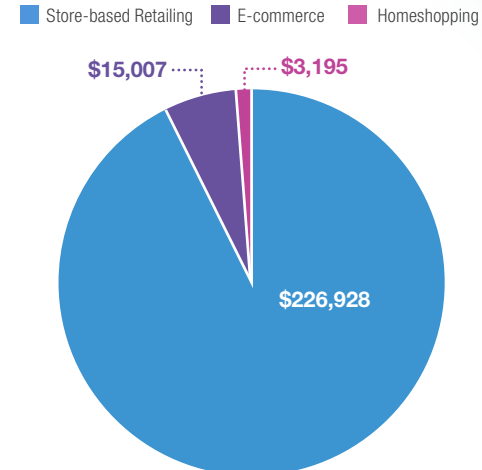
Sportswear: Global Annual Growth Rate by Channel

2007-2012, U.S. \$ Millions



Sportswear: Global Market by Channel

2012, U.S. \$ Millions



About the Ranking

The Methodology

35%

Site & E-Commerce

Effectiveness of Brand Site

Technology

Search & Navigation

Product Pages

Customer Service & Store Locator

Account & Loyalty

Customization/Communities/Sponsorship

Brand Translation *Provided by: isobar*

Aesthetics

Messaging & Visuals

25%

Digital Marketing

Search, Display, and Email Marketing Efforts

Search:

Traffic, Web Authority, SEO/SEM

Email:

Ease of Sign-Up, Frequency, Content, Behavioral Triggers

Blog & Other User-Generated Content:

Mentions, Sentiment, and Brand Buzz

Advertising & Innovation:

Display, Retargeting, and Cross-Platform Initiatives

20%

Mobile

Compatibility, Optimization, and Marketing on Smartphones, and Tablets

Smartphone Experience:

Compatibility, Functionality, Ability to Transact

Tablet Experience:

Compatibility, Responsiveness, UI/UX Optimization

Mobile Search:

SEO/SEM, Localization

Mobile Applications (iPhone, iPad, Android):

Availability, Popularity, Functionality

20%

Social Media

Brand Presence, Community Size, Content, and Engagement

Facebook:

Likes, Annual Growth, Custom Tabs & Apps, Responsiveness, Engagement

YouTube:

Search Visibility, Channel Experience, Video Views, Virality of Content

Twitter:

Followers, Annual Growth, Frequency, Online Voice

Instagram:

Presence, Community Size, Engagement

Emerging Social Media:

Pinterest, Google+, Tumblr, Vine

Digital IQ Classes

Genius 140+

Digital competence is a point of competitive differentiation for these brands. Brands have embraced customization, online sports communities, and cross-platform campaigns.

Gifted 110–139

Brands are experimenting and innovating across site, mobile, and social platforms. Digital presence is consistent with brand image and larger marketing efforts.

Average 90–109

Digital presence is functional yet predictable. Efforts are often siloed across platforms.

Challenged 70–89





Limited or inconsistent adoption of mobile and social media platforms. Sites lack inspiration and utility.




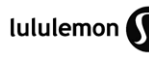

Feeble <70





Investment does not match opportunity.

Digital IQ Ranking

Genius, Gifted, Average

RANK	BRAND	DIGITAL IQ
1	 Nike	Genius 151
2	 VF Corporation	149
3	 Recreational Equipment	148
4	 Adidas	146






















RANK	BRAND	DIGITAL IQ
5	 New Balance Athletic Shoe	Gifted 135
6	 Kering	133
6	 Under Armour	133
8	L.L.Bean L.L.Bean	130
9	 Lululemon Athletica	128
10	 Deckers Outdoor Corporation	123
11	patagonia Patagonia	122

RANK	BRAND	DIGITAL IQ
11	 Quiksilver	122
13	Reebok Adidas	118
14	 VF Corporation	117
15	VANS VF Corporation	115
16	 Golden Gate Capital	113
17	 Luxottica Group	112
18	CONVERSE Nike	Average 109

- GENIUS**
- Nike
- The North Face
- REI
- adidas
- GIFTED**
- New Balance
- Puma
- Under Armour
- L.L.Bean
- Lululemon Athletica
- Ugg Australia
- Patagonia
- Quiksilver
- Reebok
- Timberland
- Vans
- Eddie Bauer
- Ray-Ban
- AVERAGE**
- Converse
- Saucony
- Columbia Sportswear
- Eastern Mountain Sport
- Oakley
- Teva
- Vineyard Vines
- Athleta
- Hurley
- Lacoste
- Speedo
- Brooks
- Burton
- Volcom
- Skechers
- Sperry Top-Sider
- Merrell
- Arc'teryx
- Mizuno
- Billabong
- Nautica
- Asics
- Reef
- CHALLENGED**
- Mountain Hardwear
- Wolverine
- Lucy
- Keen
- Rockport
- Champion
- TYR
- Helly Hansen
- FEEBLE**
- Russell
- Marmot
- Napapijri
- Danskin
- K-Swiss
- Vibram FiveFingers
- Skins
- Fila
- Umbro

Digital IQ Ranking

Average

RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ
18	 saucony® Wolverine World Wide	109	26	 Hurley® Nike	102	32	 SPERRY® TOP-SIDER Wolverine World Wide	97
20	 Columbia Sportswear Company® Columbia Sportswear Co.	108	26	 LACOSTE Lacoste	102	34	 MERRELL® Wolverine World Wide	96
21	 Eastern Mountain Sports Vestis Retail Group	106	26	 speedo® PVH Corp.	102	35	 ARC'TERYX Amer Sports	95
21	 OAKLEY Oakley	106	29	 BROOKS® Berkshire Hathaway	101	35	 MIZUNO® Mizuno Corporation	95
23	 Teva® Deckers Outdoor Corporation	105	30	 BURTON Burton Snowboards	100	37	 BILLABONG® Billabong International	93
24	 vineyard vines® Vineyard Vines	104	31	 VOLCOM Kering	98	37	 NAUTICA VF Corporation	93
25	 ATHLETA Gap	103	32	 SKECHERS® Skechers USA	97	39	 asics® Asics America Corporation	92

GENIUS

- Nike
- The North Face
- REI
- adidas

GIFTED

- New Balance
- Puma
- Under Armour
- L.L.Bean
- Lululemon Athletica
- Ugg Australia
- Patagonia
- Quiksilver
- Reebok
- Timberland
- Vans
- Eddie Bauer
- Ray-Ban

AVERAGE

- Converse
- Saucony
- Columbia Sportswear
- Eastern Mountain Sport
- Oakley
- Teva
- Vineyard Vines
- Athleta
- Hurley
- Lacoste
- Speedo
- Brooks
- Burton
- Volcom
- Skechers
- Sperry Top-Sider
- Merrell
- Arc'teryx
- Mizuno
- Billabong
- Nautica
- Asics
- Reef

CHALLENGED



















- Mountain Hardwear
- Wolverine
- Lucy
- Keen
- Rockport
- Champion
- TYR
- Helly Hansen

FEEBLE

- Russell
- Marmot
- Napapijri
- Danskin
- K-Swiss
- Vibram FiveFingers
- Skins
- Fila
- Umbro

Digital IQ Ranking

Average, Challenged, Feeble

RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ	RANK	BRAND	DIGITAL IQ
40	 VF Corporation	90	47	 Swimwear Anywhere	77	54	 Quabaug Corporation	59
41	 Columbia Sportswear Co.	Challenged 89	48	 Helly Hansen	71	55	 Skins International Trading	57
41	 Wolverine World Wide	89	49	 Berkshire Hathaway	Feeble 68	56	 Fila Korea	56
43	 VF Corporation	83	50	 Jarden Corporation	66	56	 Iconix Brand Group	56
44	 Keen	82	50	 VF Corporation	66			
44	 Adidas	82	52	 Iconix Brand Group	62			
46	 Hanesbrands	79	53	 K-Swiss	61			

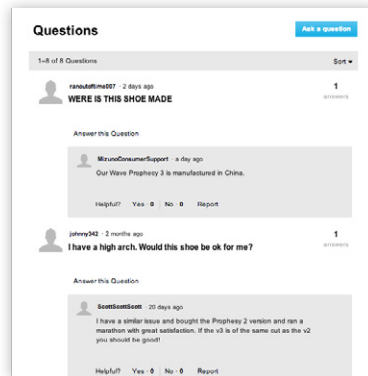
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- Russell
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- Napapijri
- Danskin
- K-Swiss
- Vibram FiveFingers
- Skins
- Fila
- Umbro

Key Findings *Site & E-Commerce*



Online Reviews

An estimated 88 percent of customers say buying decisions are influenced by reading online reviews before making a purchase decision.⁶ Seventy-nine percent of Sportswear brands incorporate reviews, up 5 percent year over year. However, sophistication of reviews varies. Almost all brands with reviews include a helpful/unhelpful vote tally. Three quarters include location of the reviewer, but just a third include the reviewer's age. Only four brands—Adidas, Arc'teryx, Brooks, and Quiksilver—include skill level of the reviewer.



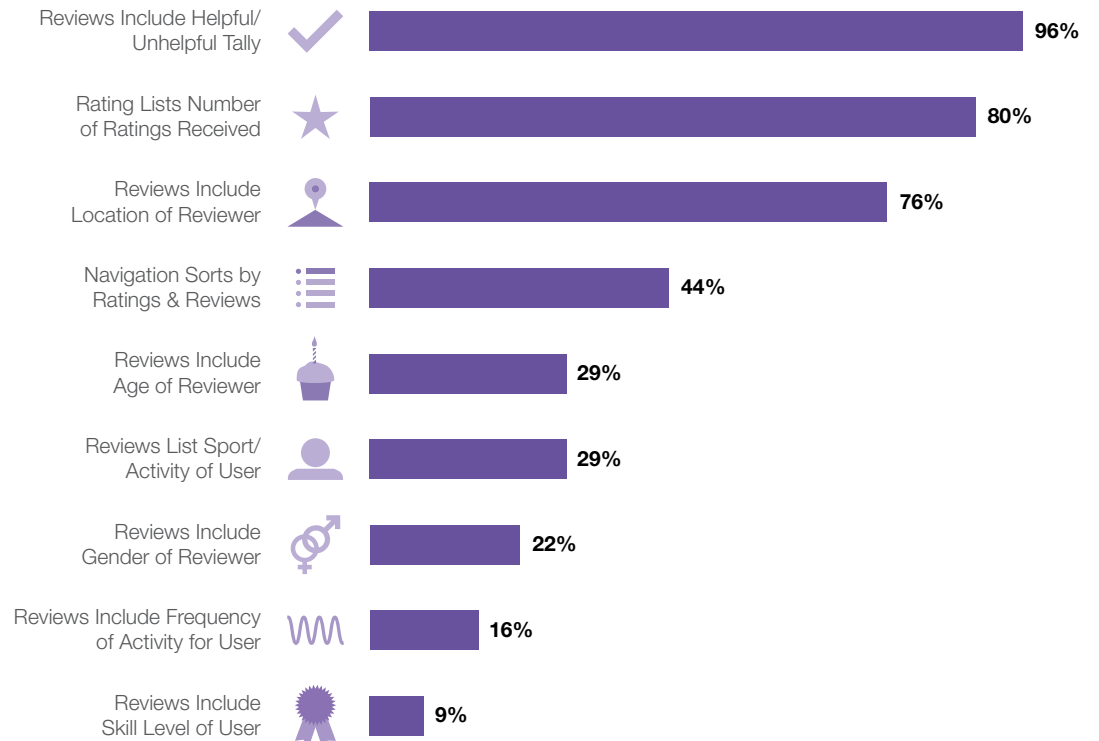
Mizuno allows users to post questions directly on the product page, allowing both other browsers and customer support to respond.



Adidas includes a snapshot of all product reviews, filters for review types, features subratings on fit, and offers multiple data points on reviewer demographics.

Sportswear: Sophistication of User Ratings & Reviews

December 2013, n=45



6. "Survey: 90% Of Customers Say Buying Decisions Are Influenced By Online Reviews," Amy Gesenhues, Marketing Land, April 9, 2013.

Key Findings *Digital Marketing*

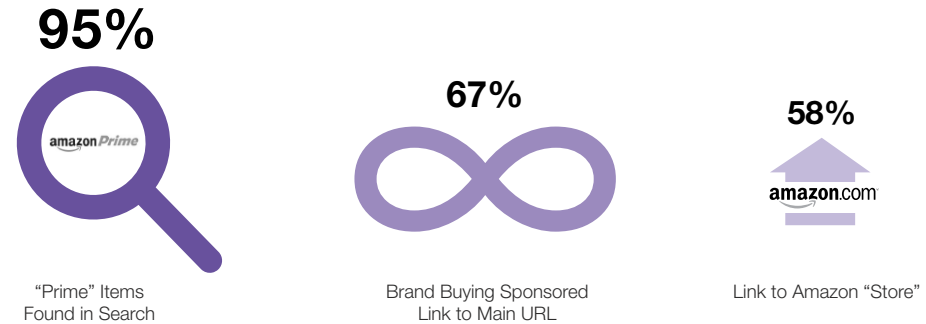
Amazon/Zappos

Amazon continues to play a large role in the retail ecosystem for Sportswear brands. Studies suggest 30 percent of online shoppers start shopping related searches on Amazon, double the number for Google.⁷ Amazon and Zappos have been both friend and foe to sportswear brands. Adidas announced it was pulling its brands off the platform in June 2012 amidst concerns about pricing and product merchandising,⁸ but is still prevalent via third-party retailers. Adidas, Asics, and Nike have also attracted the scrutiny of German authorities after reducing distribution on the platform.

However, 58 percent of Sportswear brands maintain an Amazon brand store, and product searches for all but three brands in the Index—L.L.Bean, Napapijri, and REI—yield Prime eligible items. On average, more than 5,500 SKUs can be found per brand. Amazon has also developed into a formidable media partner: two thirds of the Index are buying paid ads linking back to their brand.com URLs.

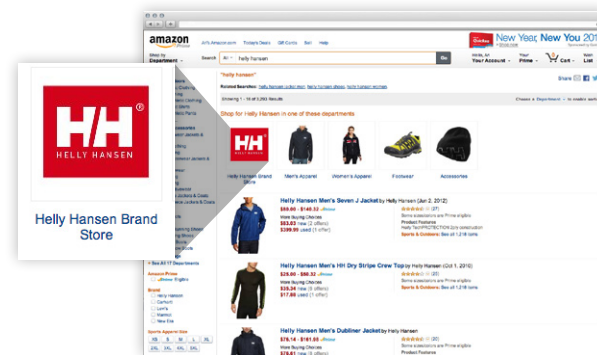
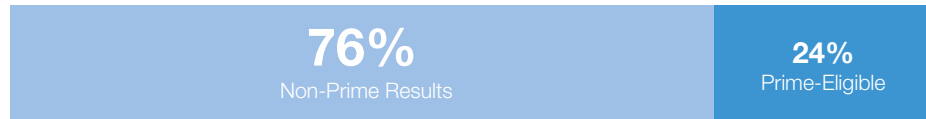
amazon Sportswear: Brand Discoverability on Amazon

December 2013, n=57



amazon Sportswear: Amazon Products Eligible for Prime Service

December 2013, n=312,046



A search for "helly hansen" on Amazon.com produces a link to the Helly Hansen Amazon brand store, a sponsored link to the main URL, and nearly 3,000 brand results, almost 2,000 of which are Prime-eligible.

7. "Amazon Passes Google as Top Destination for Shopping Research [Report]," Andrew Davis, Search Engine Watch, August 5, 2012.
8. "The Other Shoe Drops: Adidas, Nike and Asics Ban eBay and Amazon," Mark Miller, brandchannel, July 12, 2012.

Key Findings *Social Media*



Social Media Penetration

Sportswear brands have embraced social platforms. There is ubiquitous penetration across Facebook and YouTube, and 95 percent or more are present on Twitter, Instagram, and Pinterest. Two-thirds of the Index are present on Vine, the mobile looping video platform, in some capacity. Although social commerce has to-date been underwhelming, research indicates that 46 percent of online shoppers rely on social media to help make purchase decisions.⁹

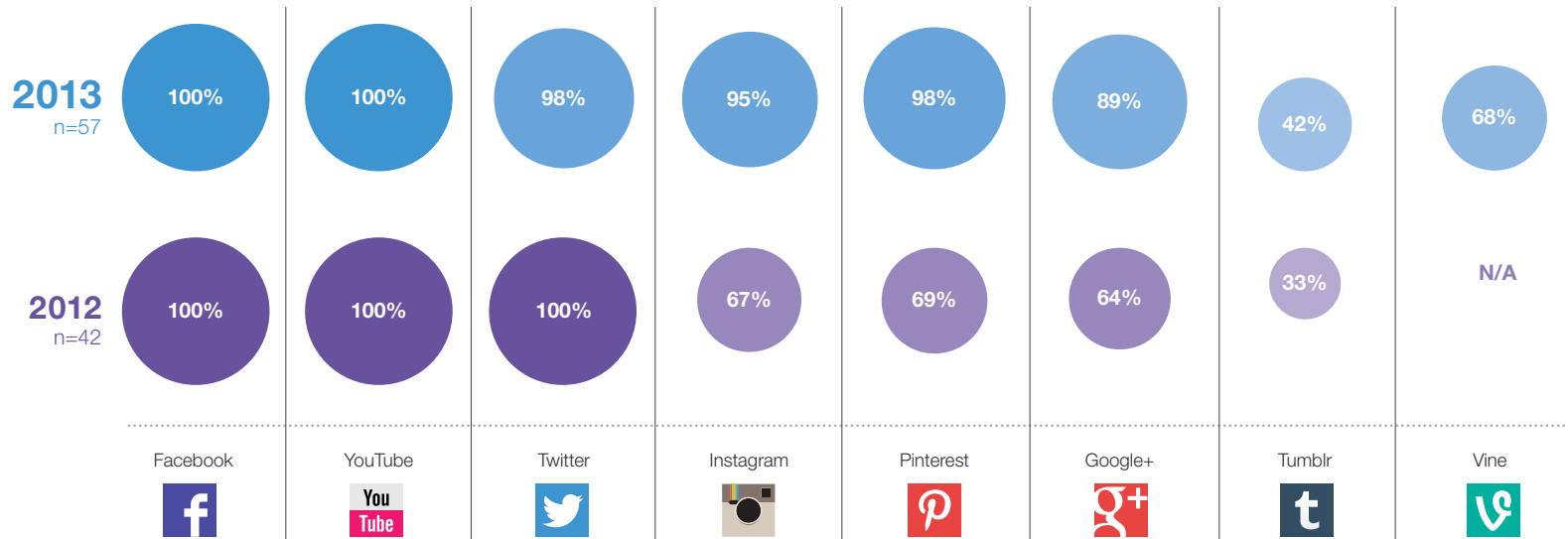


“Digital properties that were really effective were able to translate their brand values with value-add content in an authentic and persuasive way: From pro-athlete endorsements, videos of athletes or products in action, and even live blogs documenting outdoor excursions, content put consumers directly at the intersection of performance and product. When you can engage consumers, you’re making a clear connection to your buyers.”

STEVEN MOY
CHIEF COMMERCE OFFICER, **isobar**



Sportswear: Social Media Adoption
Percentage of Brands with Official Presence by Platform
2012–2013



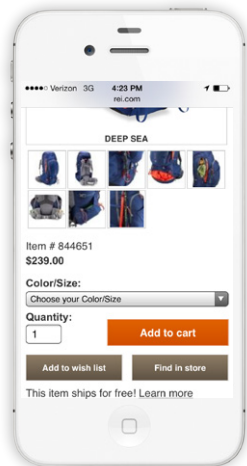
9. "How Connectivity Influences Global Shopping," nielsen, August 28, 2012.

Key Findings *Mobile*

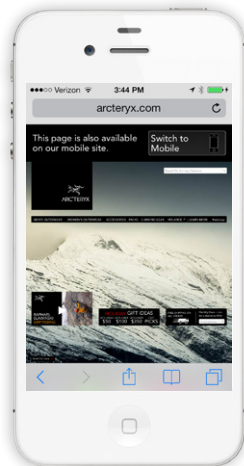


Mobile Site

During Black Friday 2013, nearly one out of every four online sales dollars occurred on a mobile device. Sporting goods and sportswear was one of the category winners for the period along with toys and jewelry, with an increase in sales of 680 percent over a typical sales day.¹⁰ Seven out of 10 sportswear brands now feature a mobile optimized site.



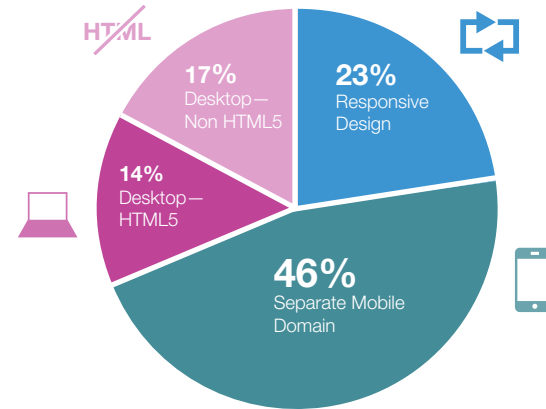
The REI mobile site includes a user-friendly link on product pages to find the item in stores.



Arc'teryx does not automatically redirect to its mobile site despite detecting the device.

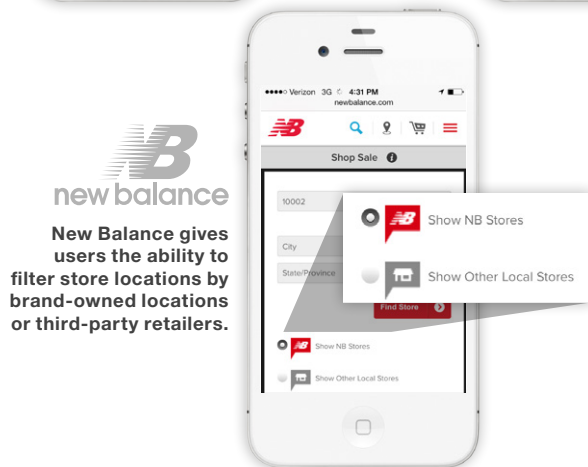
Sportswear: Site Configuration on Smartphones

December 2013, n=57



Sportswear: Mobile Site Functionality

December 2013, n=39



New Balance gives users the ability to filter store locations by brand-owned locations or third-party retailers.

93%



M-Commerce

85%



Store Locator

83%



Click to Call

68%



Geolocation

58%



Swipe Technology

¹⁰ "Mobile Drives Thanksgiving, Black Friday Shopping To New Records," CMO.com, November 30, 2013.

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About L2



L2 is a think tank for digital innovation.

We are a membership organization that brings together thought leadership from academia and industry to drive digital marketing innovation.

RESEARCH



Digital IQ Index®: The definitive benchmark for online competence, Digital IQ Index® reports score brands against peers on more than 600 quantitative and qualitative data points, diagnosing their digital strengths and weaknesses.

L2 Collective®: Series of benchmarking reports designed to help member brands better understand resources, human capital, budgets, and priorities supporting digital strategies.



EVENTS

Forums: Big-picture thinking and game-changing innovations meet education and entertainment. The largest gatherings of prestige executives in North America.
300+ attendees

Clinics: Executive education in a classroom setting with a balance of theory, tactics, and case studies.
120–180 attendees

Working Lunches: Members-only lunches led by digital thought leaders and academics. Topic immersion in a relaxed environment that encourages open discussion.
40–80 attendees



CONSULTING

Advisory Services: L2 works with brands to garner greater return on investment in digital initiatives. Advisory work includes Digital Roadmaps, Social Media Strategy, and Organizational Strategy engagements.



MEMBERSHIP

For membership info and inquiries: membership@L2ThinkTank.com

Upcoming Events

BREAKFAST: LEADERSHIP BREAKFAST

February 4, 2014 · New York City

LUNCH: INSTAGRAM

February 13, 2014 · New York City

LUNCH: SPIRITS

February 27, 2014 · New York City

BREAKFAST: EU BEAUTY

March 4, 2014 · Geneva

March 5, 2014 · Paris

March 7, 2014 · London

LUNCH: HAIR CARE

March 12, 2014 · New York City

CLINIC: AD TECH

March 18, 2014 · New York City

Upcoming Research: Q1 2014

DIGITAL IQ INDEX® REPORTS:

Beauty: France

Food

Beer

Beauty: UK

Spirits

L2 INTELLIGENCE REPORTS:

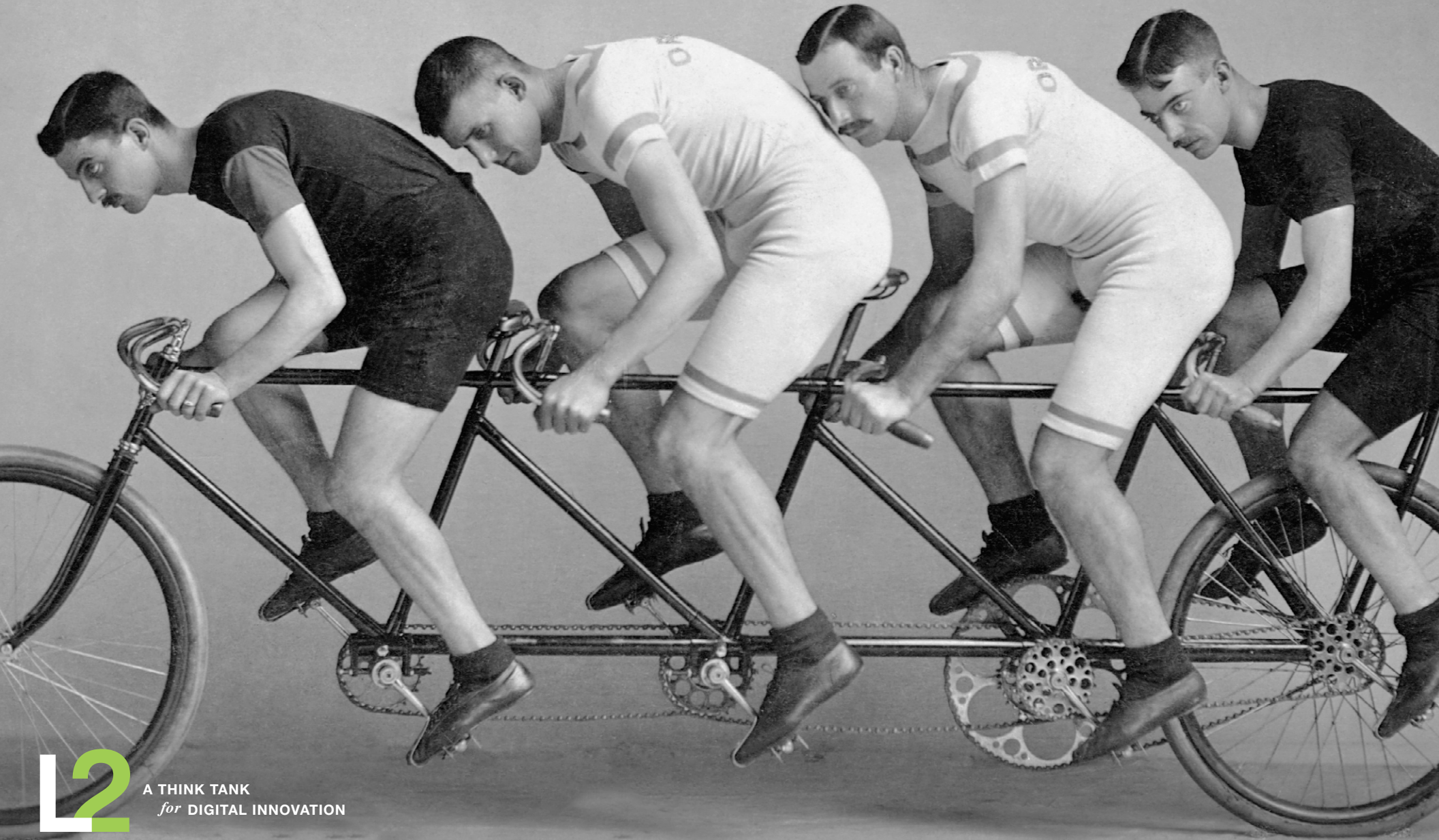
Amazon

Mobile

Tablets

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A THINK TANK
for DIGITAL INNOVATION

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