

RESULTS: FESI Survey on COVID-19

14 April 2020

Executive Summary:

FESI, the Federation of the European Sporting Goods Industry represents the interests of approximately 1.800 sporting goods manufacturers (85% of the European market) through its National Sporting Goods Industry Federations and its directly affiliated member companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 700.000 EU citizens and has an annual turnover of some 81 billion euro.

This study was conducted among FESI members - companies and national federations (including members of our national federations) – in order to gather their views and experience of the impact of COVID-19 on their businesses.

This study gathered responses from a critical mass of the sporting goods industry. Manufacturers and retailers over a geographical area covering the main outbreaks of the epidemic in Europe participated in this exercise. The respondents are composed of 40% of large enterprises (more than 250 employees), 30% of SMEs (between 10 and 249 employees) and 20% of micro-enterprises (less than 10 employees).

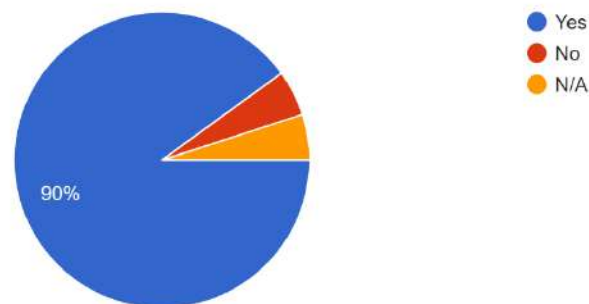
The main conclusions of the survey are the following:

- The entire sporting goods industry is strongly impacted by the COVID-19 outbreak with 45% of the companies declaring a loss of turnover ranging between 50% and 90% since the beginning of the crisis.
- Companies with efficient omni-channel retail strategies are better equipped to cope with the crisis. However, for 85% of the respondents, e-commerce compensates only between 0% and 20%.
- Liquidity shortage is the main short-term challenge of sporting goods companies
 - Closure of brick and mortar stores and changes of consumers' behaviour lead to drop of sales
 - Companies struggle to cope with fixed costs (rent, employment costs, etc.)
 - Support from the banking sector is considered as not enough
- Impact on production differs depending on several factors:
 - Governments' social distancing measures
 - Evolution of the virus in each country / region
 - Order cancellations from other clients
- Clear lack of visibility / predictability for companies. Key to not only focus on short-term problems but also solutions to boost growth once the crisis is over.
- The main Governmental measures needed by the sector in the short term to deal with this crisis are liquidity and cash flow support, as well as efforts on taxes.

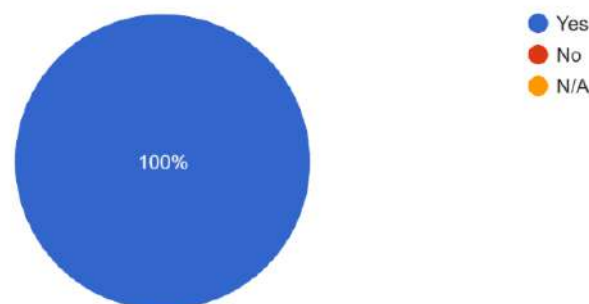
FESI has shared this report with the European Commission and now stands at its full disposal to discuss these results and to reflect together on concrete and useful proposals for the economy and the survival of the sporting goods industry. This survey exercise will be regularly repeated and extended to all members of FESI's national associations in nearly 12 countries, in order to provide stakeholders with the most up-to-date data. In the next edition of its survey, FESI will also ask its members to provide information on the effectiveness of some of the support measures at EU and national / local level, in order to collectively identify the successful measures that should be focused on and perhaps be integrated in a best practice playbook at EU level.

1. GENERAL SITUATION

Has the outbreak in countries outside the EU (e.g. China) already affected companies in your sector?



Has the outbreak in EU Member States already affected companies in your sector?



Which problems are companies in your sector currently facing? Among them, which are the most relevant?

- Slump in sales due to mandatory store/retail business closures
- Closure of the production plants
- Difficulties on supply chain for production and new project development
- Transportation capacity and prices, market drop down, finance
- Dramatic reduction in turnover
- Fixed costs
- Credit Line / Security for goods supplied to retailers
- Difficulties in obtaining supplies from far east
- Limited cash flow, eventually bankruptcy/insolvency
- Cancellation and/or late orders
- Overstock due to store closures, High inventories
- Purchase/manufacturing volumes to be adjusted
- Malfunctioning of financial markets
- Partners not/late paying invoices
- Labour cost to be reviewed
- Delayed arrival of input materials to factories, reduced speed to consumers, border delays due to additional border checks within EU
- Decreased efficiency and productivity of employees working from home



- Legal issues: qualification of force majeure, laws applicable for cross-border transactions, contractual obligations, modification of existing agreements by the manufacturer, suspension of employment relationship...

2. DEMAND

Can you quantify the losses due to the decrease in demand in countries outside the EU?

- Between 5% and 95%. On average: more than 50%

Can you quantify the losses due to the decrease in demand within the EU?

- Between 15% and 95%. On average: more than 56%

3. SUPPLY

Can you quantify the damages due to delays or disruptions in supply chains (both upstream and downstream)

- For the majority of respondents, it is hard to quantify at the moment
- For the others, on average, it is between 5% and 20%

Which specific inputs are likely to disrupt the production process of companies in your sector? Please be as specific as possible, e.g. give an HS classification.

- Lack of component/material supply and logistic (container and air freight) due to lack of workers in the upstream supply chain
- Closure of the production plants and
- Textile deliveries
- Entire closing of stationary shop operations at retail level
- Substantial lack of demand: consumer not in a spending mood and changing priorities of their purchasing (e.g. buying food instead of sporting goods; keeping their purse in general closed)
- Some suppliers in China
- Homeworking and fact that employees must stay in a certain distance to each other in production facilities
- Cotton, Polyester, Unfinished fabrics
- Clothing

How much does the firms' access to inputs depend on production in countries affected by the outbreak (as a share of total input)? Which countries?

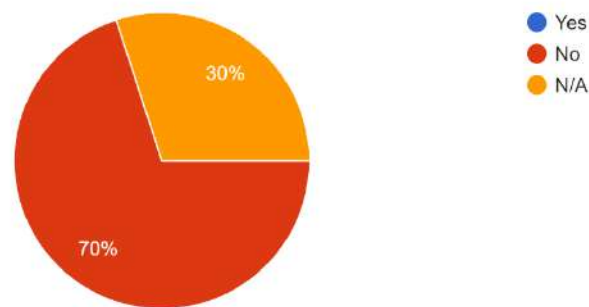
As we are dealing with an epidemic of world-wide scale, all manufacturing countries are impacted to various degree: China, India, Pakistan, Vietnam, Cambodia, Indonesia, Turkey, Bangladesh, Egypt and EU countries (Italy, Holland, Germany, Hungary, Spain...)

Supply chains are heavily impacted, and the situation evolves on a daily basis.

Impact on production mainly varies depending on Government's lock down measures and the evolution of the virus in each country / region.

Measures in factories can range from complete lock down to implementation of social-distancing policies.

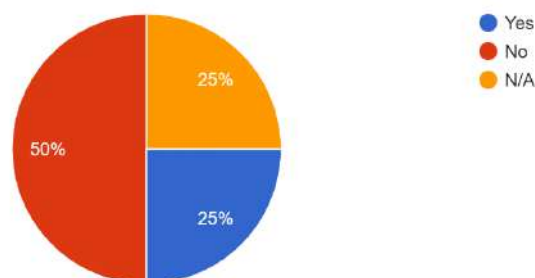
Is it possible to substitute this input?



If so, with what?

see the above.

Is it possible to find alternative suppliers?



If so, where?

- China
- EU: Switzerland, Germany, Slovenia, Hungary
- Taiwan

Have firms in your sector already faced shortages of inventory? For which inputs? Do they expect that to happen in the next weeks?

- Yes: 42%
- No or not yet: 50%
- N/A: 8%

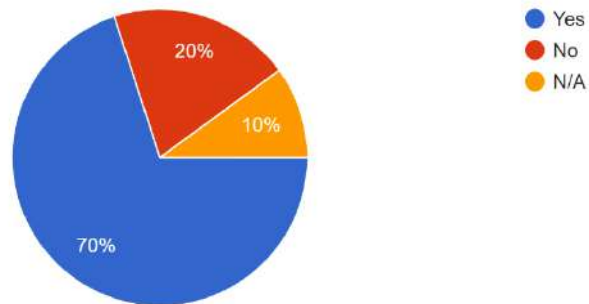
Inputs: textile equipment from far east, components for watches, raw materials

Are firms in your sector affected by downstream disruptions in the value chain (e.g. distribution and retail)? If so, which type of disruptions?

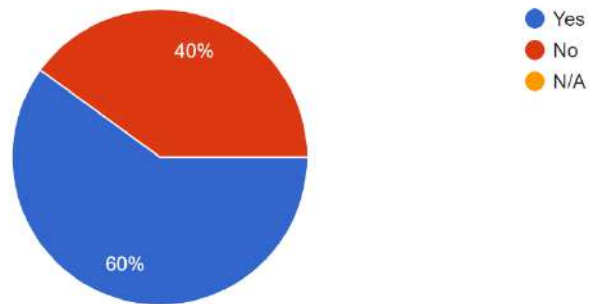
- Yes: 70%
 - Retail shops closed, causing refusal to withdraw the ordered goods, prolongation of payments terms and cancellation of contracts.
 - Reduced orders, late orders, possible cancellation, difficult forecast
 - Distribution closures
 - Delays in crossing internal borders within the EU.
 - Credit problems

- Loss in turnover
- some firms are totally closed

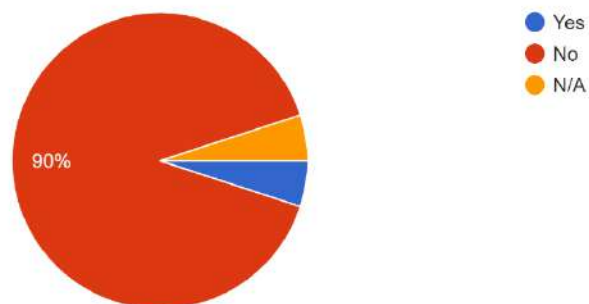
Do they expect to face shortages in the near future?



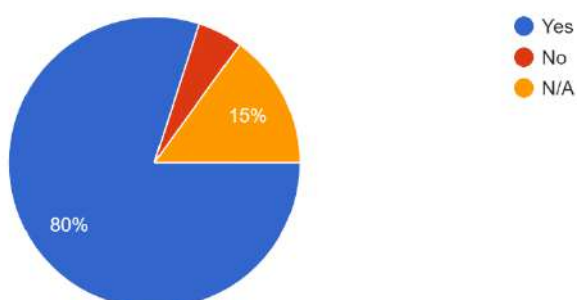
Have firms in your industry already faced a shortage of workers due to quarantine measures?



Have firms in your industry already faced a shortage of workers due to strikes or other forms of protests due to the respect of safety at work?



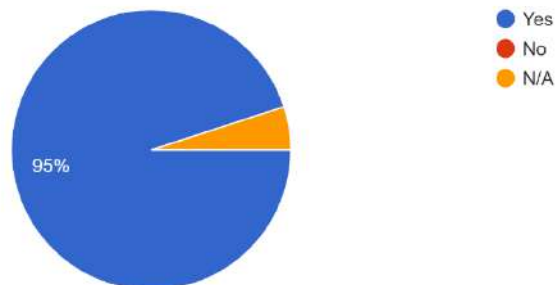
Is teleworking possible in your sector?



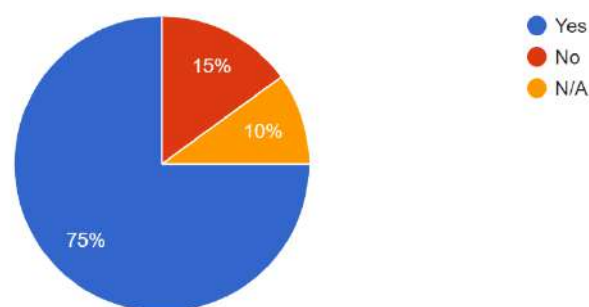
If yes, how is it affecting your sector?

- Overall, teleworking is working well for the vast majority of office-based employees and helps companies to still give services to customers and the development of digital competences for some of them. But some challenges are apparent:
 - Team spirit, communication and morale
 - Ergonomics
 - Access to company software
 - Productivity due to balancing of family/household responsibilities
 - Challenges associated with holding large decision-making meetings virtually
 - However, while many can work from home, employees in retail stores, warehouses and European Distribution Center can't work from home due to the nature of their work.

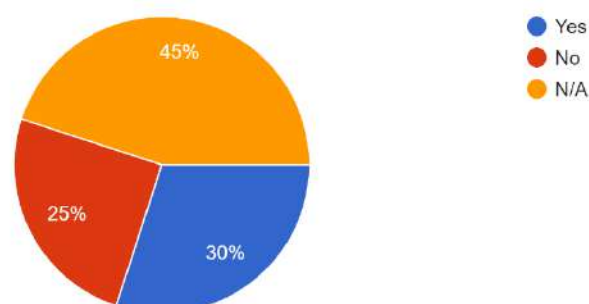
Are public funds/unemployment handouts available for firms in your sector?



If so, has it already been necessary for firms to tap into them due to the spread of the outbreak?



Have firms in your sector fired workers?



If yes, how many (or share of total employment in the sector)?

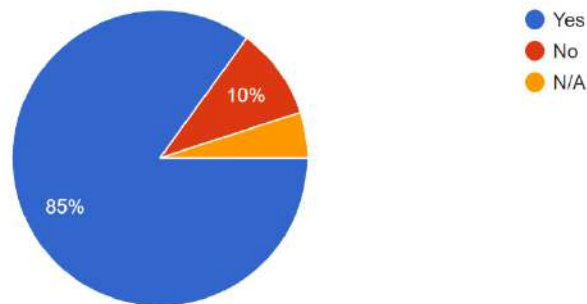
- N/A

What is the impact on your company's turnover since the beginning of the crisis until now April 2020?



3. FINANCE

Have the firms in your industry already faced liquidity problems?



How is the banking sector supporting firms in your sector?

- Loans, subventions and liquidity
- But the majority of respondents are disappointed with the support offered by the banking sector

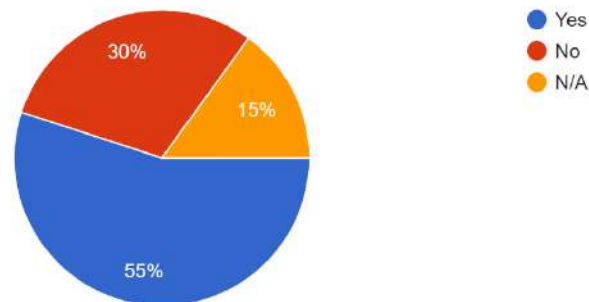
How are other investors supporting firms in your sector?

N/A

How is the government financially supporting firms in your sector?

- Sufficiently for the vast majority of respondents:
 - state salary subvention to firms when employees are left home and short time work
 - deferral of tax related payments (direct taxes, VAT, customs duties)
 - deferral of loans and interests
 - funded grants and loans
 - easy access to credits to help liquidity
 - wage subsidy schemes

Have disruptions in infrastructure or service provision (both public and private) affected the economic activities in your sector? (e.g. availability of fuel, access to airports, access to railways, telecommunication, maintenance services etc.)



Can you please list these disruptions?

- Transportation delays (deliveries...)
- Customs delays due to increased inspections
- Meetings cancellation
- Travel restrictions (business travels, travel for technicians...)
- Air freight charges increased by factor 10x
- Development of new products
- Stopped trade fairs

4. PUBLIC SUPPORT

In which countries are you having the most difficulties/ the measures taken by the government are not sufficient?

- U.S.
- U.K.
- Italy
- Austria
- Germany
- Spain
- Poland
- Holland
- Russia
- Brazil
- Czech Republic

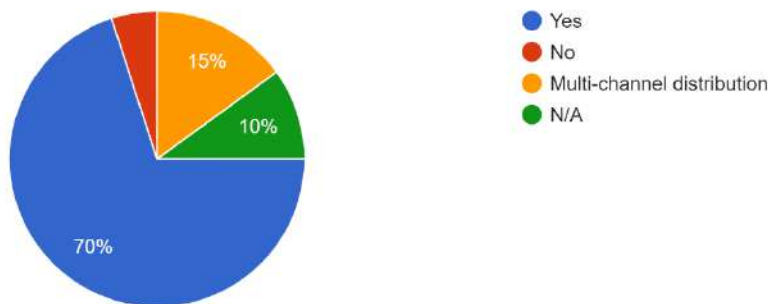
What type of public measures or actions would the sector need? In particular, how can the European Commission help? To the extent possible, please distinguish: Short term measures (mitigation / resilience) and Long term measures (after the lockdown)

- Short term:
 - Help secure liquidity (e.g. customs duty deferral, move implementation of higher duties)
 - Cash flow measures (e.g. loans)

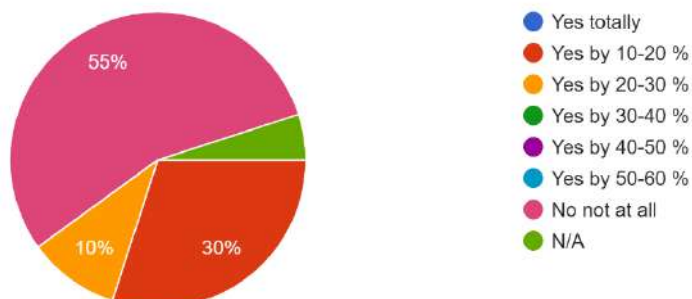
- Encourage Member States to implement fast-track certification processes of personal protection equipment for medical PPE production to help mitigate the shortage of PPE in the medical community as well as for use of PPE in other work environments (distribution centres etc)
- Designate distribution centres of all categories as “essential”
- Delay of any duty increases planned for the next 6 months
- Long term:
 - Specific measures to support retail and tourism
 - Speed up free trade agreements with COVID-19-stricken countries (e.g. Indonesia)
 - Strengthen e-commerce including IP protection online
 - Stimulating growth, by European innovation programs
 - Tax reductions
 - Duty suspension on all consumer goods for 12 months after lockdown measures have been lifted and retail can operate
 - Better preparation for a crisis like this (hospital capacities, face mask inventories/lead times, etc)
 - Renegotiation of store rent
 - Long term financial support

5. E-COMMERCE

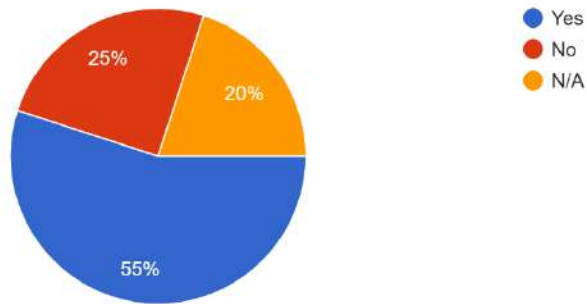
Does your company have e-commerce?



Does your e-commerce compensate for the situation?

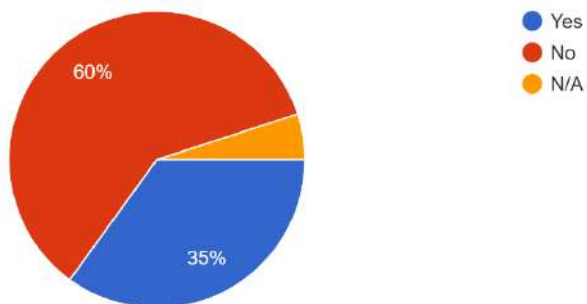


Does your online shop currently propose free delivery?

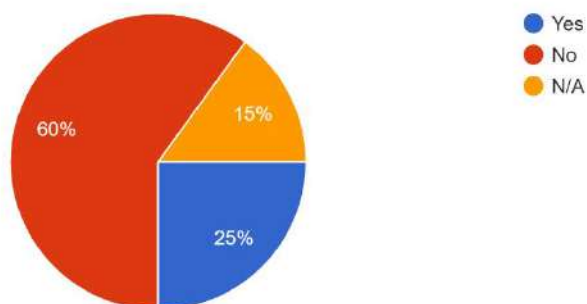


6. SOLIDARITY MEASURES

Is your company producing any medical personal protective equipment (PPE)?



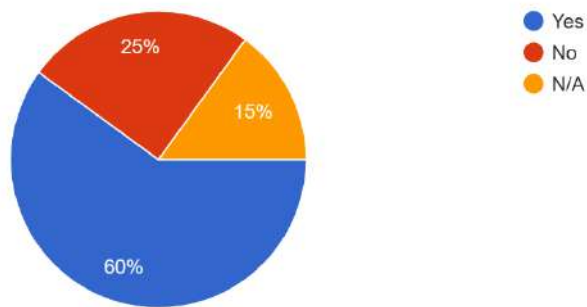
Has your company launched a solidarity initiative (other than the production of PPE)?



If yes tell us more in one sentence:

- Donations

Is your company implementing measures (programs, apps...) to promote the practice of physical activity and support social distancing?



If yes tell us more in one sentence:

- Daily video blogs to inform employees
- Intranet with online sport activities
- Campaigns
- Mobile applications

Are there any lesson learnt from this crisis?

- Late reaction and lack of coordination at EU level, more cooperation needed