

# As Nike pulls away from wholesale, sports apparel brands sense an opportunity

Article

**The trend:** With Nike reducing its wholesale obligations, adidas, Puma, Reebok, and other brands are stepping into the void.

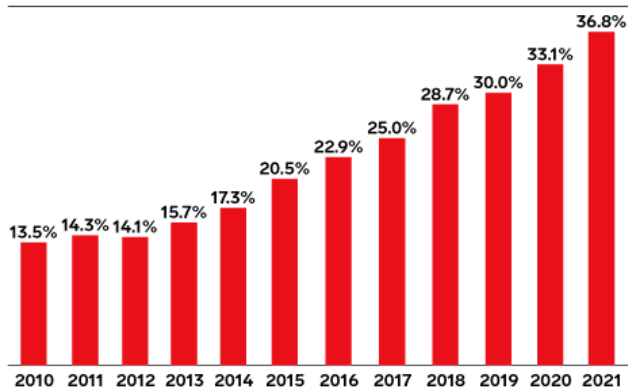
- Adidas announced an expanded partnership with **Foot Locker** with the aim of generating more than **\$2 billion** in retail sales by 2025.
- Reebok is making more of its products available at **Macy's**, and will also develop exclusive items for the retailer, parent company **Authentic Brands Group** said.
- Allbirds** is dipping a toe in third-party distribution with partnerships with German ecommerce retailer **Zalando** and **Public Lands**, a retail offshoot of **Dick's Sporting Goods**, starting in Q2, co-CEO **Joey Zwilling** said on the company's most recent earnings call.

**How we got here:** Nike has spent the last few years focusing on its direct-to-consumer (D2C) business as it looks to take advantage of higher margins and develop stronger relationships with consumers.

- Nike's D2C revenues grew by **15%** in its most recent fiscal quarter, while wholesale revenues fell 1%, per its earnings release.
- US D2C ecommerce sales** will account for **15.1%** of total ecommerce sales this year, growing **21.3%** year-over-year (YoY) to \$155.69 billion.
- Established brands like Nike will account for **75.5%** of the US D2C ecommerce market this year, and will see sales grow more (22.6% YoY) than those of disruptor brands (17.5% YoY).

### Nike Direct-to-Consumer Sales Worldwide, 2010-2021

% of total revenues



Source: Nike, Inc. company reports as cited by Statista; Insider Intelligence calculations, Oct 6, 2021

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**The opening:** While some retailers, like **Under Armour**, have **followed in Nike's footsteps** by expanding their D2C business, others, like Puma and Reebok, are doubling down on

wholesale.

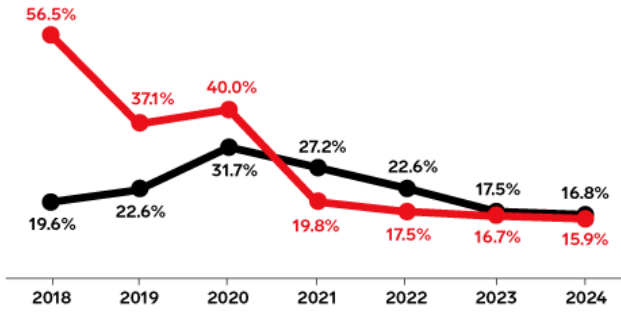
- Foot Locker's CEO **Dick Johnson** said in February that the retailer **expects its stock of Nike products to "decline meaningfully"** going forward as the brand prioritizes D2C, which gives other sportswear companies an opportunity to fill the gap.
- Nike's move away from Foot Locker opened up about **\$1 billion in sales**, according to **Matt Powell**, The NPD Group's senior industry advisor for sports.
- Brands have been quick to take up the slack: In addition to partnering with adidas, **Foot Locker is deepening its relationship with Reebok** with an expanded product assortment as well as exclusive items.
- Puma's wholesale business grew by **23.3% YoY** to €1.53 billion (\$1.81 billion), generating **nearly four times the sales of the brand's D2C segment**, per its Q1 earnings report.

**Looking ahead:** While D2C offers higher margins than wholesale, it also limits the number of channels that brands can sell on, which in turn can curb their overall reach.

- That leaves the door open for challenger brands like **On Running** and Allbirds, as well as more established companies, to steal market share.
- However, while Reebok and Puma are currently looking to wholesale to drive rapid growth after years spent languishing in Nike's and adidas' shadows, they too could eventually decide to own distribution once they've built a large enough base of dedicated consumers.

## US D2C Ecommerce Sales Growth for Established Brands vs. Digitally Native Brands, 2018-2024

% change



■ Digitally native brand D2C ecommerce sales growth  
■ Established brand D2C ecommerce sales growth

Note: includes products sold by consumer brand manufacturers that sell their products directly to consumers online via their owned and operated sites, bypassing standard distribution channels through a retailer, wholesaler, or third-party platform such as a marketplace; includes digitally native brands and established brands; excludes traditional retailers' private-label brands; excludes travel and event tickets and food or drink services  
Source: eMarketer, March 2022

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