

Sales of outdoor sporting products may surge

By WANG ZHUOQIONG
wangzhuoqiong@chinadaily.com.cn

Sales of outdoor sports products such as clothing, footwear and camping products in China are expected to continue growing, as they get boosts from the increase of vehicle ownership and the popularity of outdoor activities.

In 2011, the value of retail sales of outdoor sports products in China reached 10.76 billion yuan (\$1.69 billion), an increase of 50.91 percent from the previous year.

Sales reached 3.65 billion yuan in 2008, when Beijing hosted the Olympic Games, according to an industry report published by the China Outdoor Commerce Alliance.

Retail sales of outdoor products have kept an annual growth rate of more than 40 percent in the past five years. This year the growth rate is expected to slow down to 20 to 30 percent, said Zhang Heng, general manager of Sanfo Outdoor Product Co Ltd, a retailer of outdoor sports products in China.

Domestic brands' sales are now rivaling foreign brands, which used to dominate.

The number of domestic brands last year increased to 350, up 52.84 percent, while the number of foreign brands is 367, an increase of 12.92 percent.

The outdoor sports industry has tremendous potential, Zhang said. China will need at least 10 years to catch up with developed countries' level of participation in outdoor sports, he added.

His company has taken its business from being located in a shabby shop next to the east gate of Peking University to having nearly 30 retail stores in 10 major cities in only 15 years. The company sells foreign and domestic brands of various outdoor products.

Sanfo sold more than 200 million yuan worth of goods in 2011. Its revenue and profit have both increased 30 percent year-on-year.

Thanks to burgeoning demand, China has become a major emerging market for



Outdoor sports products at the Asia Outdoor Trade Fair in July in Nanjing, Jiangsu province. The industry has seen an annual growth rate of 40 percent in the past five years.

international outdoor sports brands. About 75 percent of the top foreign brands have a presence in China. Zhang said clothes brands from North America and footwear brands from Europe have so far dominated the market.

Li Changfa, COCA secretary-general, said rising incomes and vehicle ownership have given people more spare time and brought urban dwellers closer to nature.

"The increasing popularity of outdoor sports among middle-aged and even younger people reflects a change of lifestyles in China," Li said.

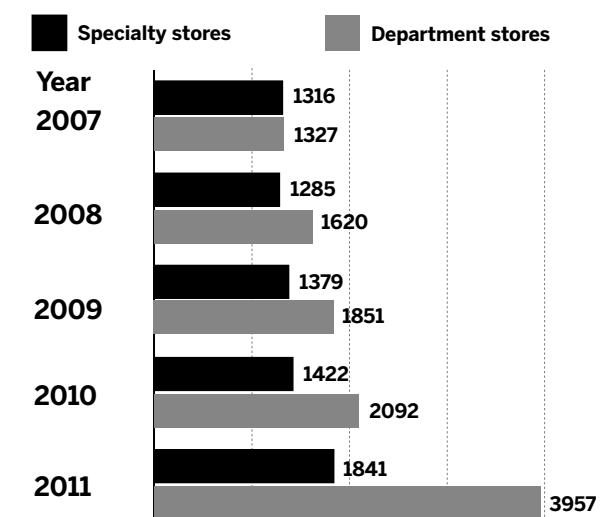
"Outdoor sports used to be considered crazy. But now considered as part of a healthy and positive lifestyle, something to be proud of."

Outdoor sports activities such as camping and climbing are no longer happening only in major cities.

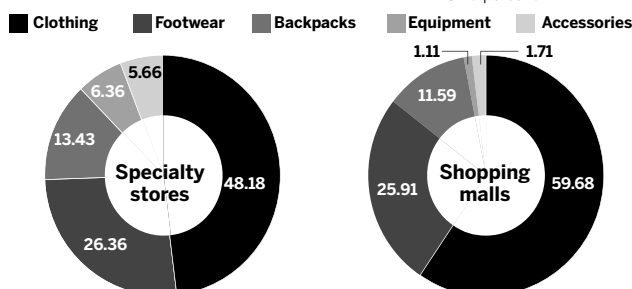
People in second- and even third-tier cities are also experiencing outdoor adventures, as online shopping for outdoor sports products becomes an option for them, he said.

OUTDOOR SPORTING GOODS MARKET IN CHINA

NUMBER OF SALES CHANNELS



PORTION OF SALES BY CATEGORY



Source: China Outdoor Commerce Alliance

CHINA DAILY

Equipment maker gets Olympics boost

Business, public interest soar as Chinese athletes dominate Games

By HE WEI in Shanghai
hewei@chinadaily.com.cn

After the Chinese table tennis team swept the gold medals in the London Olympic Games, Guan Yasong knew that his company had won some gold of its own.

As fans celebrate the 17-day Games, DHS, an official sports-equipment provider, also has embraced the winning spirit as business soars after sponsoring the ping pong and weightlifting events.

This year is not the first that the Olympics have boosted DHS' bottom line, however. It was the 2000 Olympic Games that turned around the enterprise that was once firmly in the grip of a financial crisis, said Guan, DHS' marketing chief.

About 16 years ago, Shanghai-based DHS was grappling with capital restructuring at a time when community gyms were still a rarity in China and "working out" had yet to become the latest trend.

The firm had just merged with three State-owned sports equipment manufacturers that had failed to come up with a viable business model and was faced with a supply glut and weak demand.

But the 2000 Games in Sydney were a game changer. For the first time, a Chinese supplier was chosen to sponsor table tennis equipment in a major sports event.

"We barely made a profit before Sydney. But the Olympics were such an amazing advertisement for our brand, Double Happiness, that we saw new orders flowing in months after the Games," Guan recalled.

DHS has grown alongside China's Olympic endeavors.

Since the founding of the new China, the government has adopted the strategy that the Olympic Games should get the highest priority. As a result, China has become a universally acknowledged major player.

After legendary table tennis player Rong Guotuan won the first world championship for China in 1959, he suggested that China should use home-grown equipment in world events. The result was DHS, China's first national table tennis brand.

The company name was given by then-Premier Zhou Enlai,

to commemorate the first world champion and the 10th anniversary of the new China.

As the country focused on elite sports, record-breaking achievements not only won China palpable national pride, but opportunities in critical sports settings.

Right after the Sydney games, the International Table Tennis Federation decided to enlarge the diameter of the table tennis ball from 38 mm to 40 mm.

While most producers were reluctant to make the change due to the huge cost, DHS stepped up its innovation and worked closely with the ITTF by sponsoring national and international tournaments at all levels.

"We sought feedback from coaches, players, and officials from the ITTF, and made the changes accordingly," Guan said. DHS helped push the ball-size change while dramatically changing its balance sheet.

16

million yuan
the amount of money the government will allocate to help build community gyms and playgrounds

The company saw double-digit growth in net income the following year, and grabbed 60 percent of global market share.

"We were able to set a price based on market demand, rather than cost", a crucial ability that has continued to increase the company's revenue by 10 percent annually since the new millennium, Guan said.

Other groundbreaking endeavors, such as the rainbow table with a balancing design style that originates from the traditional Chinese arch bridge, helped DHS enhance its position over the past decade as the market leader.

"The position strengthens our bargaining power, and brings in bigger profits," Guan said.

The company also understands the interplay between sports and business.

"Every four years, the Olympics bring a spate of new commercials and campaigns. To raise brand awareness, we need to have an extensive presence in China's most-decorated programs," Guan said.

The rationale that propelled DHS to provide the barbells for

women's weightlifting match in the 2008 Beijing Olympic Games was that the first gold medals awarded would serve as a curtain-raiser for the athletic competitions that followed. "Being first means a lot more public exposure," he said.

In addition to top-level sports, mass recreational sports are being developed as one of the cornerstones of the 12th Five-Year Plan (2011-15).

The State General Administration of Sports set a target for industrial added-value to increase more than 15 percent annually to exceed 400 billion yuan (\$61.47 billion) by the end of 2015, accounting for more than 0.7 percent of total GDP.

Buoyed by the results in major sports events, the project also highlighted the importance of developing mass recreational sports by making full use of public and community stadiums. The government encourages constant and multi-channel investment for gyms and other sports facilities.

The administration will allocate 16 million yuan from the sports-lottery fund to help build community gyms and playgrounds in eight provinces and municipalities.

For instance, Shanghai aims to expand the coverage of community facilities to 95 percent of the population and requires 85 percent of school facilities to be open to the public, said Liu Qi, head of public relations division of the sports administration of Shanghai. That means a high rate of facility upgrades, she said.

She described DHS as a "model sports company" in Shanghai.

"Model companies like DHS significantly push up the sports service trade and in turn benefit Shanghai by attracting high-end games as well as promoting the cause of public fitness," she said.

Guan also sensed the opportunities. He said the company saw not only an increasing number of individual buyers, but also a steady growth from government and corporate customers in the past five years.

Among them, 70 percent of purchased products are technologically advanced with a much higher profit margin.

"Apparently, the name we made as an innovator in top-level sports benefited our businesses in mass sports. Because people know about our brands, they are convinced of the quality and are willing to pay more," he said.

Despite popularity, clubs face difficulties making profit

By WANG WEN
wangwen@chinadaily.com.cn

On a July weekend, Wen Jie went with 19 other people to the Bashang grassland in Hebei province to stay at a camp organized by an outdoor sports club in Beijing.

"It was cheap," said Wen, a 28-year-old woman who works in an office in Beijing. "I spent less than 300 yuan (\$47) for the two-day trip."

Wen said she had been intending to drive to the grassland for two years but hesitated to go because she knew little about the place.

"The outdoor sport camp cleared up all my questions," she added.

Wen is a novice among those who have lately taken to outdoor sports. Large numbers of Chinese have only begun to take part in pastimes such as hiking and rock climbing in

the most recent decade.

According to surveys conducted by the Luye Rescue Team, one of the best-known organizations of its sort in Beijing, more than 3 million people take part in outdoor sports in Beijing every year.

In response to that increasing popularity, more and more outdoor sports clubs have opened in China.

How are they faring? Most of them say they are still far from being profitable, saying that the Chinese are not used to paying for the services the clubs offer.

"About 80 percent of participants prefer to divide the costs of hiking, mountain-climbing and camping excursions among themselves," said Tao Yongfeng, a 27-year-old network engineer, who is also a part-time outdoor sports guide.

It is possible to make money in the business of arranging

outdoor sports excursions. But few people in China want to pay for such a service because of the high costs and such trips can tax their abilities.

Going on outdoor excursions led by professional guides can cost hundreds of thousands of yuan. That far exceeds the cost of joining a regular tourism group.

Tao said his sports club, which employs six part-time staff members, organizes excursions for fun, not for profit. To take part in them, a person pays no more than 200 yuan for transport and accommodations, he said.

"Outdoor sport clubs can act as economy travel agencies," said an organizer for one of the clubs who declined to provide her name.

She said the club sometimes organizes excursions for commercial purposes.

"That does not mean an excursion organized for com-

mercial purposes will always make a profit," she said. "It depends on the cost."

She said her club's greatest expense is advertising.

About a month before an excursion, the club will often post advertisements on outdoor sports websites, which typically charge from 3,000 to 8,000 yuan a month, she said.

"Some websites are free," she said. "But we want to get more exposure to draw more participants, which has a large effect on profits."

It's not only small, private outdoor sports clubs that have trouble making profits. China's largest outdoor sports club, measured by its number of members, is also not bringing in enough income.

"Our revenues can only cover 40 to 50 percent of our costs," said Zhang Chaohui, director of Sanfo Outdoor Club.

The club, founded in 1998, has eight branches in China

and has enrolled more than 70,000 members.

Sanfo has hired more than 200 part-time guides and spends substantial sums to train and pay them, Zhang said.

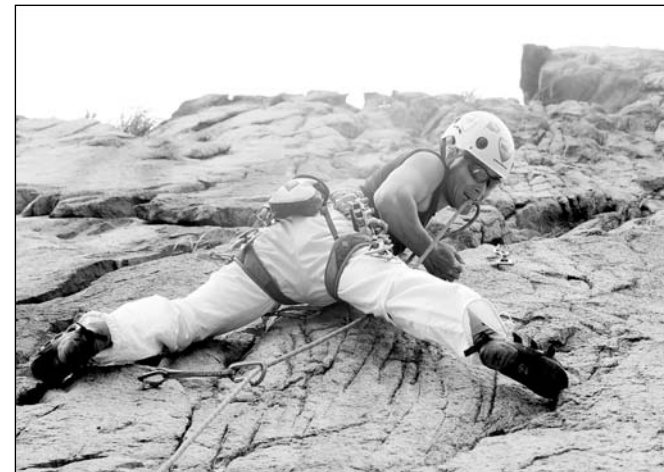
At a minimum, they can make from 300 yuan to 400 yuan a day to lead excursions, she said. Sanfo places guides into four groups according to their abilities.

The Beijing club has begun to follow a practice that is common in Shanghai and now charges those who take part in an excursion a service fee ranging from 10 yuan to 20 yuan, Zhang said.

"I believe these fees will help support the business in the future," she said.

Some industry insiders say outdoor sports clubs should place a priority on improving themselves rather than making money.

"The industry and these



PROVIDED TO CHINA DAILY

A rock climber in Qingdao, Shandong province. A guided excursion led by professionals can cost thousands of yuan.

sorts of pastimes are just starting to take hold in China, and business insiders should pay more attention to making the industry better," said Tao.

The outdoor sports industry is now held to few, if any, official standards.

By 2011, only 2,000 outdoor sports clubs in China had obtained official registrations, Zhang Chaohui said. In all likelihood, there are many more

unregistered clubs. "These clubs' identities are another question," said Zhang, who has registered her club as a sports company. "Do they have to do with sports or tourism?"

Likewise, guides aren't required to meet particular standards before they lead outdoor sports excursions. Many accidents result from mistakes by guides.