



**GEORGIE FROST:** Welcome to *The So What from BCG*, the podcast that explores the big ideas shaping business, the economy, and society. I'm Georgie Frost. In this episode, sportswear has boomed in the US over recent decades, moving from the gym, to the school run, the office, and everywhere in between, but the easy growth era is ending and the middle has become crowded. So, how do companies stand out? Well, joining me is Justin Vincent, part of BCG's leadership team for consumer and fashion. Justin, what's your "so what?"

**JUSTIN VINCENT:** The sportswear market, after years of rapid growth in innovation, is entering a new stage and there will be more intense competition than ever to win what is now very mature demand, and that will force brands and consumer companies to focus on specific needs for differing generations to win in tomorrow's market.

**GEORGIE FROST:** Over the next five years, sales of athleisure are projected to grow only 3 to 5%, not the double-digit performance of the past. Pressures on brands are intensifying as needs diverge. Gen Z, want expression, Gen X and Boomers favor comfort and support, all are going digital. So, how do brands stay relevant and what can the rest of retail learn?

**JUSTIN VINCENT:** In the 1990s and early 2000s, it really was just sportswear, not athleisure. It was about podium, performance, it was about athletic sponsorships. And starting in the 2000s and 2010, the integration of what is sports and what is lifestyle started to happen. I still vividly remember my first days at BCG wearing a pair of technical chinos from a brand called Lululemon and getting a lot of looks on, "Is that really what you're wearing to work these days?"

And now that's all I see around is people wearing technical performance in their work, when they go to the store, and when they're at the gym. And so, really starting in that 2010 to 2020 period, the combination of comfort and stretch into lifestyle clothing is what created a ton of category expansion. And then, I think COVID was the true accelerator. When we were all around our houses and we started really preferring comfort and that ability to have those technical and stretch benefits, it stuck, and that has carried us through to where we're at today.

**GEORGIE FROST:** Why has then growth slowed? Is this something that is a general trend across apparel or is it something unique to athleisure?

**JUSTIN VINCENT:** I would call this an "and" situation, of first when you continue to add the number of categories that sportswear is entering, we just talked about workwear as an example, there's only so many places it can go. And so, in many ways the category expansion phase has happened, and now it's about winning within categories that are already a bit more mature, even if they're still growing.

There's also just a more macro environment of when we survey US consumers about what they want to spend on in the coming months and years, apparel is one of those things that people are most likely to indicate of trading down or slowing their spend on. And so, in many ways, sportswear is still higher than other parts of apparel and still an attractive place to be within fashion, but people are preferring to put their money towards more experiential things. The good news for sportswear brands here is the things people want to put their money to are the fitness activities, are health and wellness, are the things that are synonymous with sportswear.

**GEORGIE FROST:** With that in mind, who is winning right now and will the choices that they've made to be where they are at the top right now be enough to see them through over the next five years and beyond?

**JUSTIN VINCENT:** Yeah. So, I think there's a mix here of who's winning in the market is the set of challenger brands. It's not about a single brand, but the research we've just run of, if you look at the top 15 sportswear brands, their share of the market has decreased by almost 10% over the last decade, and many of them are still just US-specific, but there are many brands that are up and coming.

Whether they will continue to be successful from a challenger brand I think will continue to be how culturally relevant do they stay and how much do they stick with a for-purpose mindset? And so, the top brands are still deeply embedded in many of the activities and things that they were known for and made them top 15 brands and have a right to win tomorrow, just like some of the up and coming challenger brands do. And which of them differentiate more on the future needs?



**GEORGIE FROST:** What do you mean a for-purpose mindset?

**JUSTIN VINCENT:** Well, now, in sportswear, to our conversation of how the market has evolved, you can be a brand that's all about performing your best in the moments that matter, for really being a brand that is about 'winning'. There's also a real play in this world where health, wellness, longevity, mental health become massive trends.

A brand that is focused on supporting those communities, has influencers within those communities and deeply engrains their events and experiences in those communities, those two are very different. And then, there's a third that is actually just about having the best comfort when you're on the go and bringing the benefits of sportswear into your everyday life. And again, that's a third, very different, purpose or focus or need that a brand can be known for.

And so, it will be about brands that really keep that at the center of what differentiates them, and they'll still have categories and other products around that. It doesn't mean they can't compete in other categories, but they need to be authentic to what they're known for at the end of the day.

**GEORGIE FROST:** What does the research tell us about generations and what they want, how they're being served?

**JUSTIN VINCENT:** Yeah. Well, I think so much of what athleisure and sportswear, as it's mixed with fashion is almost thought of now is what's the next on-trend brand? What is the next need? And what we see is, it just becomes very different based on which generation, of what they want.

If you are Gen Z today, they want the on-trend fit and the on-trend colors, which is different than millennials who want the most comfortable thing in the most classic silhouettes that fit their just general lifestyle needs. And that's also different a little bit from what is now the largest buyers of sportswear and athleisure, which is Gen X and Boomers who are looking for more functional benefits for their day-to-day lifestyle.

**GEORGIE FROST:** So, how do you serve Gen X, Boomers, their comfort, their support needs, while, I think I've heard it say, keeping a Gen Z style halo?

**JUSTIN VINCENT:** Well, in some ways you might not have to go across every generation. There will

be, we often refer to them as demand spaces. It's not about just picking a specific consumer, it's about picking a type of occasion or need. And some of those will skew heavily to a generation but not completely to a generation.

And if you take certain examples of low impact activities like walking, it's still the number one activity for every single one of the generations, yet all the innovation is on running shoes which are designed for high impact activities and supporting your needs. So, there's ways to make the best, most comfortable walking shoe that probably resonates across all three of those populations. The brand halo you mentioned is, if you are trying to be an on-trend brand and have the most culturally relevant fashion factor, Gen Z is where that starts today.

And what Gen Z decides is on trend will usually at least extend into the millennial generation that wants to stay relevant, wants to stay on trend as much as possible. And so, you can serve across these different generations, but it really comes back to what's the need or the specific type of demand, and how prevalent does that span each of those generations we're discussing?

**GEORGIE FROST:** If I'm hearing this right, it's about the need, it's about the message, how you want to convey yourself, but it does seem to be getting slightly narrower, sort of almost picking your lane. Are you not condemning yourself to a small customer pool if you are being quite niche in the target? And like you said, we may be favoring the wellness trend at the moment, but that may not last. That could change. So, what if wants change again and you've already just picked your lane as it were?

**JUSTIN VINCENT:** Yeah. I think, it depends. Having the lane be broad enough, having the need and what's at the center of the brand be something that is durable is very important. I mean, if I take comfort as an example, I have friends who buy a sportswear brand, they were told, "Try the jogger or try the pant," and it was the most comfortable jogger that they had.

And so, guess what? They went out and bought every type of product category that that brand had because things were so comfortable. And, yes, comfort won't always be the number one priority for the fashion piece that I'm buying. It is a durable, longstanding need.



I think sports performance and winning and technical performance, maybe it is not the hot topic like health and wellness, it's still incredibly durable. If you look at people's love of sports and those activities that hasn't stopped or gone away, it's just there's also new activities. And so, it is picking a lane broad enough that stays relevant over a long period. You wouldn't want to just be, we are the green T-shirt brand because that will certainly be something that comes and goes.

**GEORGIE FROST:** So, for a company then now, who have perhaps picked too many lanes at the moment, their product range has grown too big, their message is a bit befuddled, which items would you back and which would you drop to make a brand stand out again? Or is it not quite that simplistic?

**JUSTIN VINCENT:** In some ways it is that simplistic, but what we often talk about is category role strategy within a company. I'll use a grocery reference and then come back to sportswear. If you go to certain premium grocers, you need to pick up milk, but milk is not that differentiated typically across the different types of grocers out there.

But what is the produce aisle, or the proteins and meat section. And so, these are places that act as destinations. I am known as the store for the best produce. I am known as the store with the best meat department or whatever that is, and those become the categories that you absolutely need to ensure you have the best innovation and stay on the front foot.

But you probably don't need ten different types of disposable paper plates. And so, there are ways to really look at, where in our assortment, what do consumers truly come to us for? What is our destination type category versus what is a more impulse buy, an add-on item that maybe once you're in our environment or once you're in our store, you might add that to your trip? But it's not what you came to us for.

And that type of a lens can be really powerful. And where have we created too much breadth of items that people aren't looking for us versus actually what are we known for? And maybe we don't even have enough breadth because we have strayed too much from in this area we're known for, and you see a lot of changing of what is the mix of innovation in pipelines for fashion brands and fashion retailers.

**GEORGIE FROST:** How should companies decide where to focus, and I suppose who to reach and how to reach?

**JUSTIN VINCENT:** Well, you have to be digital, I would say that first. Over half of discovery, and that's not just purchase, but discovery of looking around for things is happening digitally and through social media. And so, having some version of a digital strategy is paramount. I think today in the US, one in four purchases is impacted by an influencer in terms of sportswear.

So, it's a heavy impact that those play. And I think that sounds large, but I think it's always been that case of, if you go back to, there's movies about Michael Jordan picking certain sportswear brands and the impact that you see many of these athletes of what boot is Lionel Messi wearing?

These are influencer strategy and that game has changed. Now, there are more choices. But I think there's more optionality of being, you don't have to just go and have the biggest mass appeal athlete. You can pick influencers who play a big role in the types of specific communities you want to impact. And so, when we talk about these different sorts of activities or we talk about being true to health and wellness versus training, that will take you to very different influencers and not just who has the most followers at the end of the day.

**GEORGIE FROST:** But there's still places for Messi's boot, right?

**JUSTIN VINCENT:** Messi's boot, Caitlin Clark's shoe, these athletes still incredibly important part of the sportswear market. I'm big into golf. There's as many people watching certain YouTube golf events as certain professional events, and so this has opened up so many different ways to have an impact on consumers at the end of the day for hobbies, activities, lifestyles that they want to live.

**GEORGIE FROST:** I can say this is part of a suite, then, I imagine. And when we think of Caitlin Clark, when we think of Messi, when we think of all these elite athletes, we're thinking of that winning that you spoke about earlier. Whereas if you're going for the comfort, you might want to not align yourself with that sort of elite athlete appeal.

**JUSTIN VINCENT:** You could use an elite athlete looking very comfortable, but I think you have to



pick influencers, messages, and ensure the entire experience is relaying a certain aspect of what you want the brand to stand for. And we all think of, you expand of, because sportswear is blending into fashion so much, we all have reactions to when we hear a brand like Rolex or Louis Vuitton or all of these brands.

Everyone has a slightly different connotation to each of these, but we all have reactions to it. And so, that's now the challenge of a brand is, what is that initial...what am I going to be known for and what does that immediately state about what people expect about the types of innovation, the types of products I'm going to bring them? Do I need to be at the forefront of the next technical item? Do I need to be doing that and providing different types of value added experiences like exclusive events or all these sorts of things that go beyond just the clothes that we buy? But the overall experiences that we get with the brand of, some of this doesn't need to be a technical product. Some of this can be experiences at the end of the day.

**GEORGIE FROST:** We mentioned it earlier about the differences between countries. Athleisure, as we said, part of everyday life in the US and China. It doesn't quite have that same traction in Europe. So how should brands, I suppose, localize what they sell, how they price it, where they sell it?

**JUSTIN VINCENT:** I think much of the brand needs to stay consistent across markets. I think there are ways to continue to elevate or refine what the brand stands for. I think there are variances in how you can collaborate, whether it's different retailers you're trying to sell through or different marketing influencers that you're trying to impact the communities and those local markets with.

I don't think it's bring a completely different set of items. I think though there are specific modifications in terms of fit. The population in the US fundamentally looks a bit different, and fit is a core part of sportswear. And so, I think there's adaptations in how do you create the right fits and silhouettes that resonate with any market. I think pricing in general is more about a consistent level of pricing.

It's hard to be really premium in one market and be a value player in another market—that can really hurt the brand. So, I think it is less about pricing. I think it's more about almost coming

back to the category roles discussion of which things should always be there because they're core to the brand, but how do we surround that core with the right categories and specific items, with specific fits, that at the end of the day will resonate with that local market?

**GEORGIE FROST:** What do you think are the biggest learnings that leaders in other consumer categories can take from sportswear?

**JUSTIN VINCENT:** I do think this idea of digital discovery, social media, e-commerce, and the role different influencers play is only going to increase across everything that we buy. Patterns of how we shop are so different today than they were ten years and they're going to continue to be more and more different. And I think that is a trend of, it's very easy to think about what do we fix in our store, in our product innovation and not look at how are people changing how they shop.

And I think that's a big learning in sportswear and I think that needs to be a big learning for all players. And the economic climate and certain decisions on tariffs certainly had a big impact on how fashion retailers need to think about operational agility. We talk about operational agility in fashion and sportswear on an everyday basis. It's important to take those lessons and bring them back into every type of consumer business right now of how are you ready to evolve to a pretty dynamic macro environment at the end of the day?

**GEORGIE FROST:** What would you say are the other big challenges that are coming down the line? You mentioned tariffs there. What else could be a threat for these companies?

**JUSTIN VINCENT:** Well, I think there's still just a big shift in how people, I mean this comes back a little bit to how people shop. People are spending less on away-from-home food. That means less trips into spaces that are typically very high retail and high away-from-home food together.

And that is actually having an impact that retailers are feeling on just traffic in stores and people coming to that, and that adds to this conversation of how are you really strong from a digital engagement perspective when people's fundamentally daily patterns have changed. There's still many differences in hybrid work and so many different patterns on a day-to-day basis have changed that also is changing our routines



as consumers, and therefore when and how we can interact with a brand.

**GEORGIE FROST:** So, we've covered the so what? Now, it's the "now what?" What are the next immediate steps that leaders can take to make sure that they're well positioned for the future?

**JUSTIN VINCENT:** Yeah, I think we've spent a lot of time talking about this importance of brand relevance. How do you have a very clear view of what, not just consumer segment but demand need you are going to fill, and how are you connecting that through your entire end-to-end experience with the consumer?

From the people that you're marketing with, to the specific types of innovations you have, to the look and feel of the store and to how store associates are interacting with you. That all has to give you the same sense of what the brand stands for. Two, we talked about the biggest challenges, this operational rigor and flexibility. When you are growing, it is easier to always focus on the next piece of growth.

When demand is more challenged, you have to be incredibly rigorous of where are we placing our investments, how are we fueling and funding the investments we're trying to make in order for brands to stay relevant and have the types of, at the end of the day, shareholder return that people expect.

And then, I think the third is back to this. You have to make it as easy as possible to digitally find and shop the brand and have that come through social commerce now, because if it's not easy to find you digitally and to shop you digitally, it will be really hard to command and grow in this market.

**GEORGIE FROST:** Justin, thank you so much, and to you for listening. If you want to read the latest articles from Justin and the consumer and fashion team, just follow the link in the show notes.