
The E-Commerce State of the Canadian Sporting Goods Industry

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1. Introduction

This study has been conducted by iCongo in close cooperation with the Canadian Sporting Goods Association and the financial support of Industry Canada.

The study's objective was to establish the e-commerce state of the Canadian Sporting Goods Manufacturing Industry by assessing the specific levels of use of digital commerce techniques and technologies as well as issues facing the industry as it moves forward.

iCongo has set out to evaluate the connectivity and e-commerce usage within the Sporting Goods Manufacturing Industry and intends to pursue its effort to inform, as per its mission statement, the manufacturers on the competitive advantages of using these technologies. The present survey responds to this commitment.

2. Analysis of the Sample Group

250 questionnaires were sent to Canadian Sporting Goods Manufacturers. 50 were completed and returned between January 10 and February 15, 2002.

The number of respondents to the survey represents 25% of the Canadian manufacturers in the Sporting Goods Industry. The sizes, geographic locations, channels of distribution and sector involvement of these companies, as illustrated by the five first charts, are all representative of the total Sporting Goods Industry. As such, the sample group is expected to provide accurate assessments of the present situation as well as short and mid-term trends on the use of e-commerce in Canada.

Chart 1

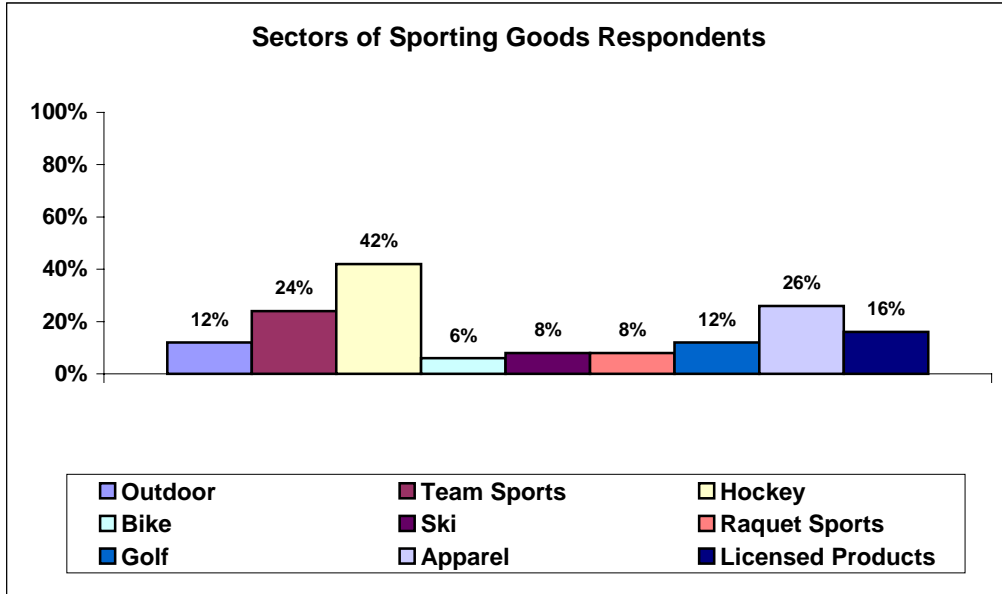


Chart 2

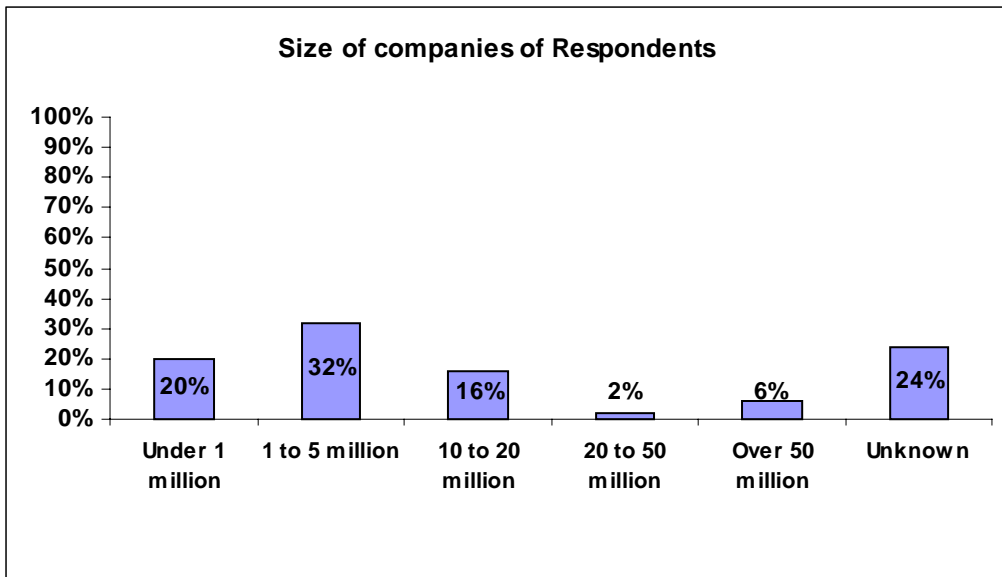


Chart 3

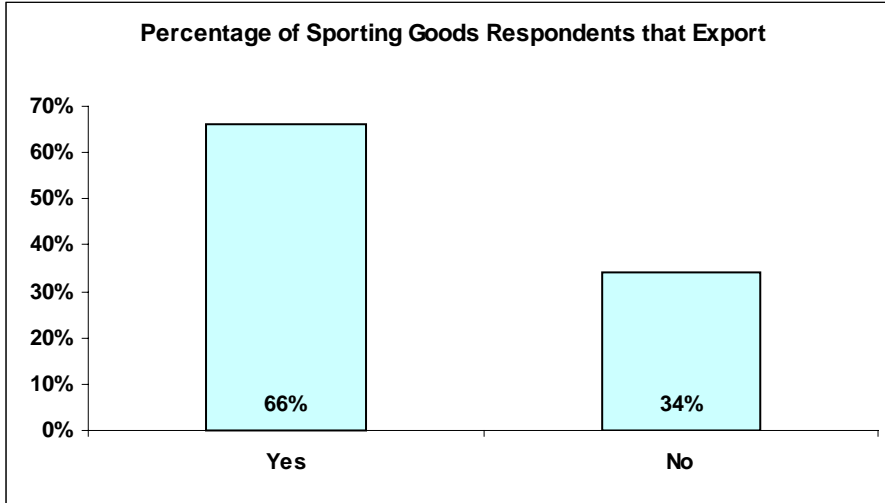


Chart 4

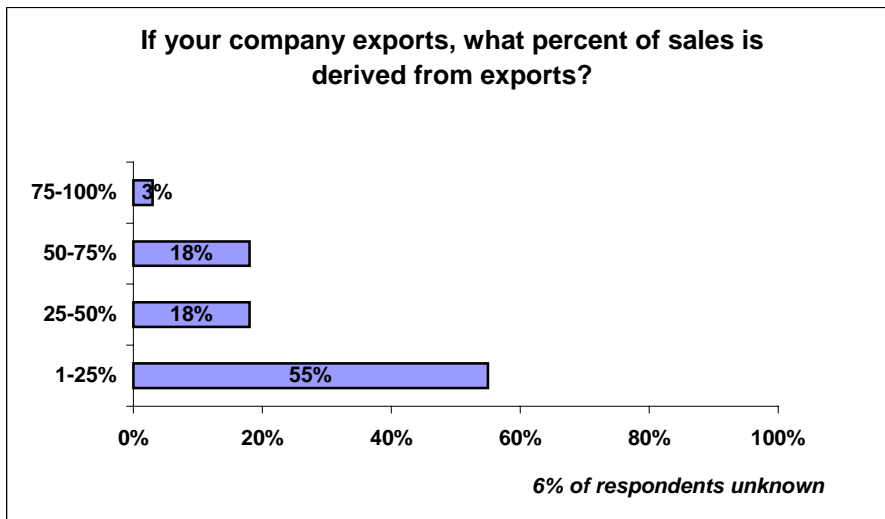
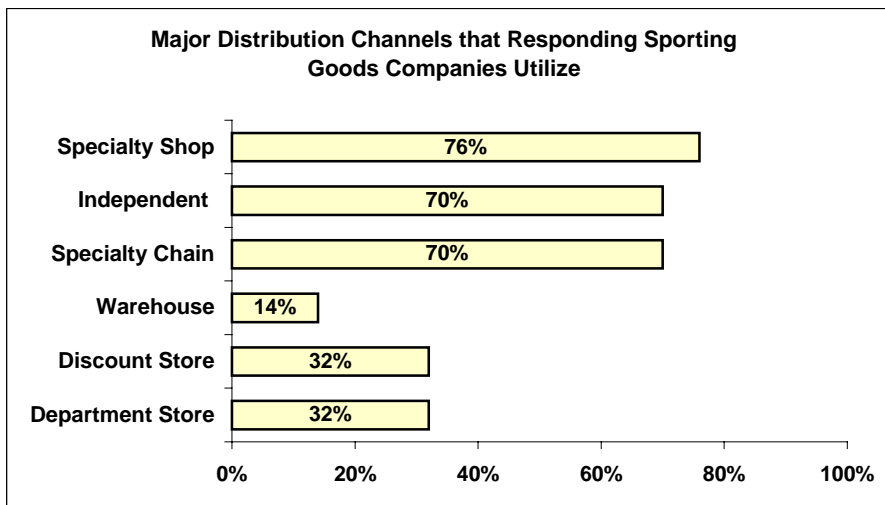


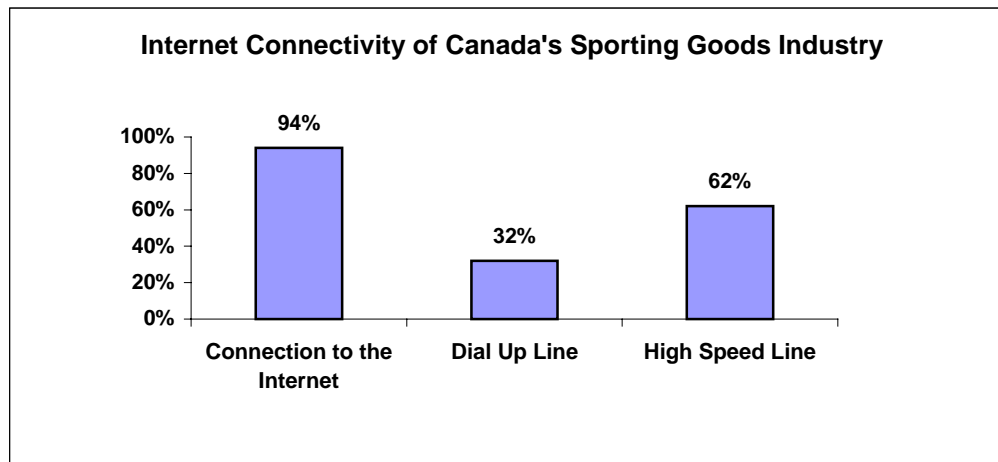
Chart 5



3. Findings

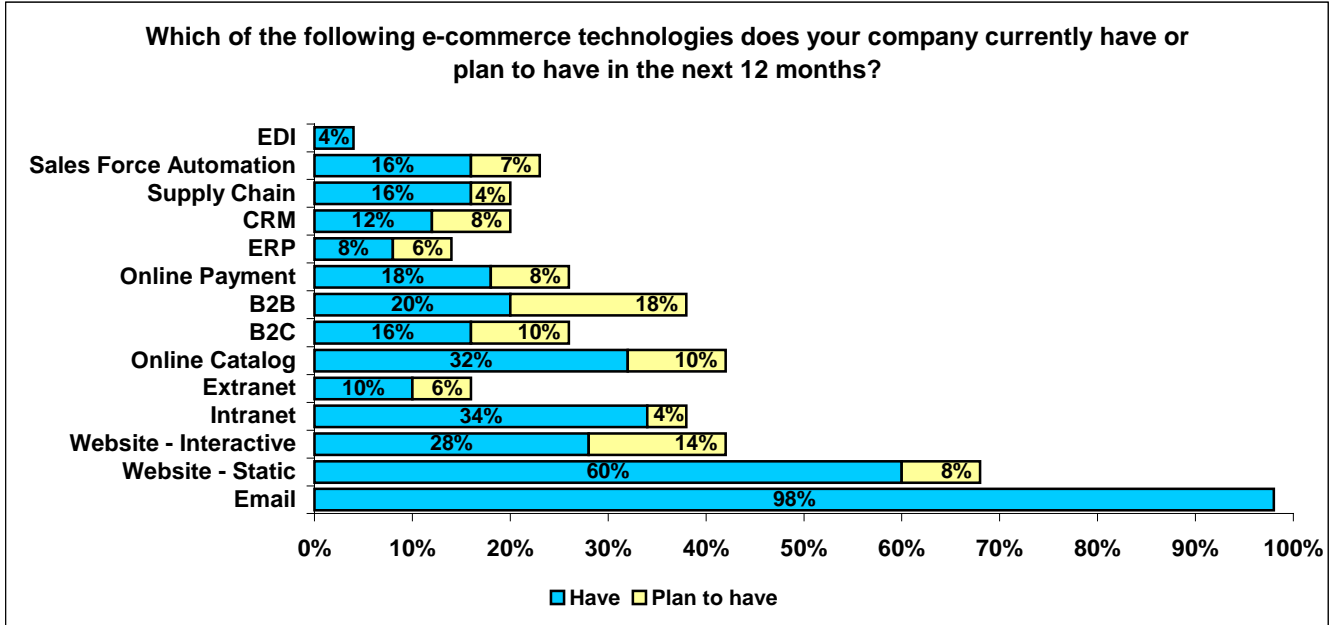
- Most Canadian companies are connected to the Internet. At 98%, the connection rate of manufacturers to e-mail is for all intent and purposes fully deployed. (Chart 6)
- The type of connection used by a large number of companies indicates that the industry, as a whole is not yet taking full advantage of the full range of functionalities offered by the Internet:
 1. High-speed connection is at 62% and 32% on a dial up mode.
 2. While 60% of the companies do have a web site, 27% are interactive and 33% are static. A static website is a basic online Internet presence that does not include animation. An interactive website includes advanced Internet applications and requires a larger financial investment.

Chart 6



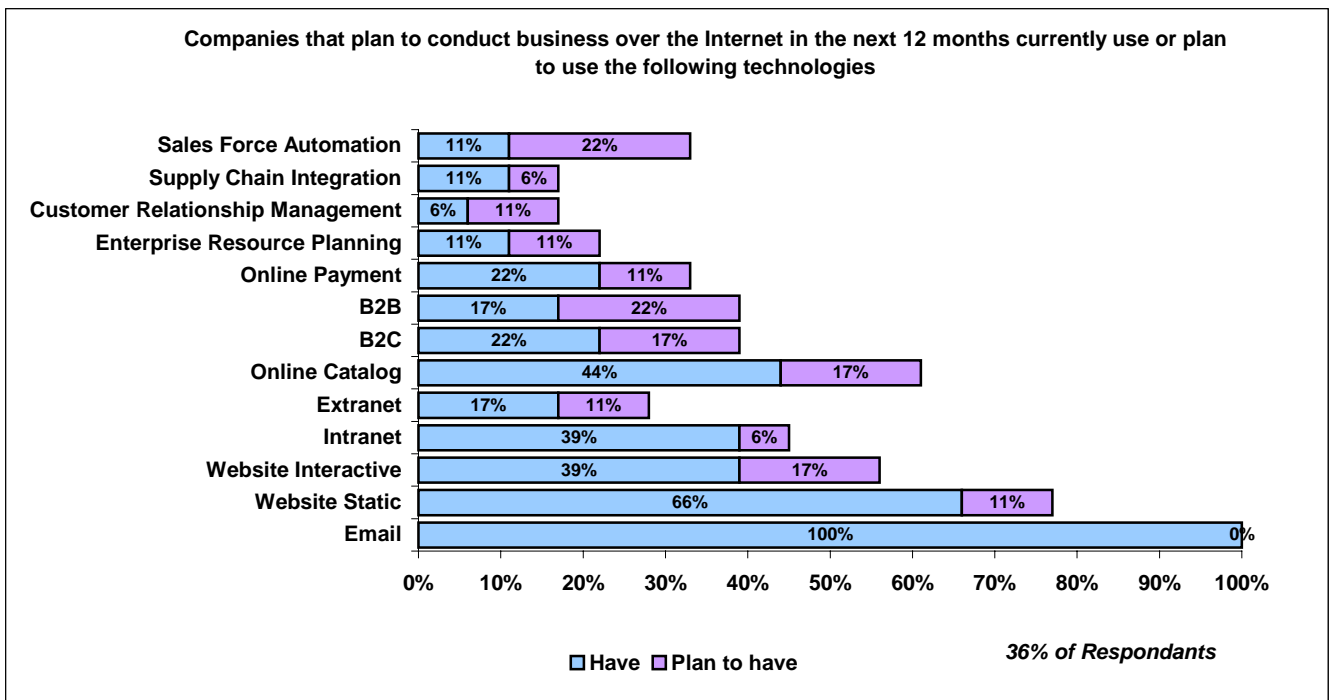
- Use of Internet technologies by Canadian manufacturers is mainly focused on non-expensive basic applications enhancing communication and marketing, relegating the more demanding online sales and administration integration functions to second and third priority rankings.

Chart 7



- All companies (see chart 7) as well as those presently using the Internet to conduct business (see chart 8) intend to increase the use of various applications by very similar margins. This confirms the steady and strong growth of Internet technologies and e-commerce within the Industry in the next year.

Chart 8



- Chart 9 confirms, from the companies' investments, that their level of commitment to e-commerce is somewhat limited at this point.
- The small companies, as shown in chart 9, have made an effort to establish a presence on the web but only the very large enterprises have so far committed investments of any significance allowing for implementation of administration integration functions through the web.

Chart 9

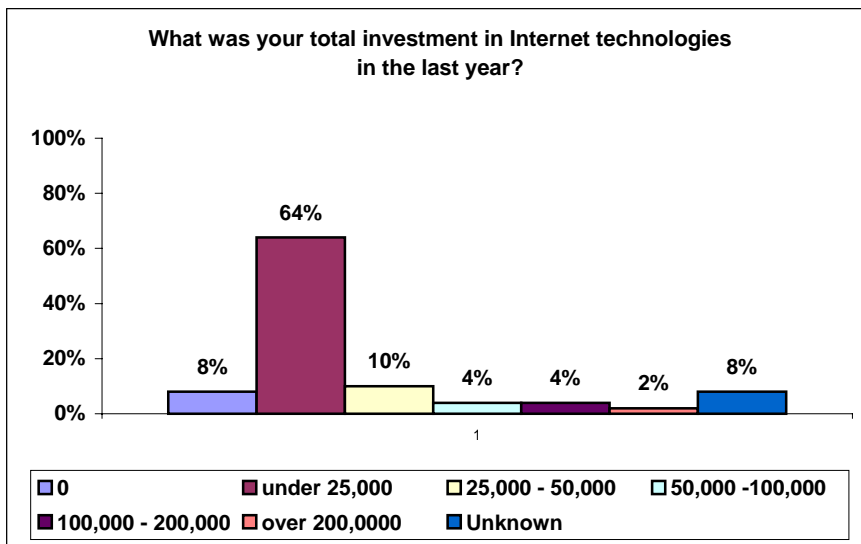
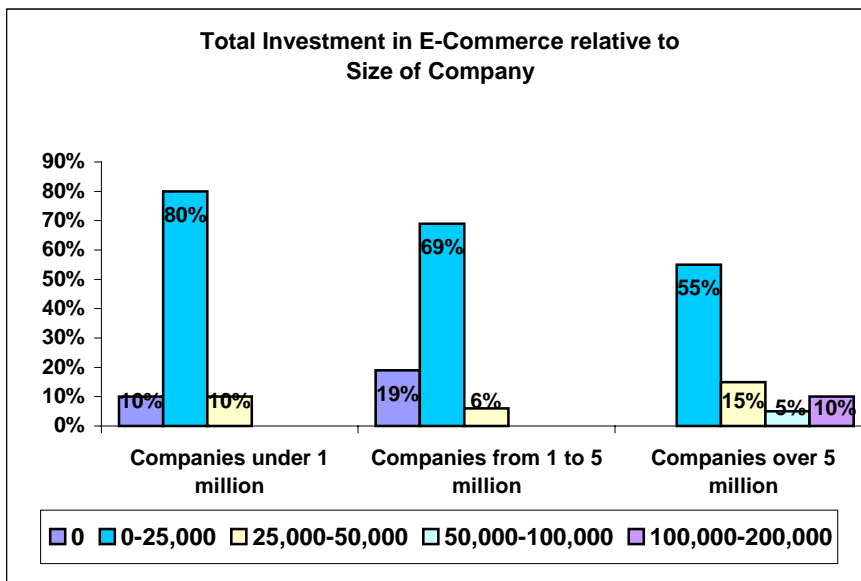
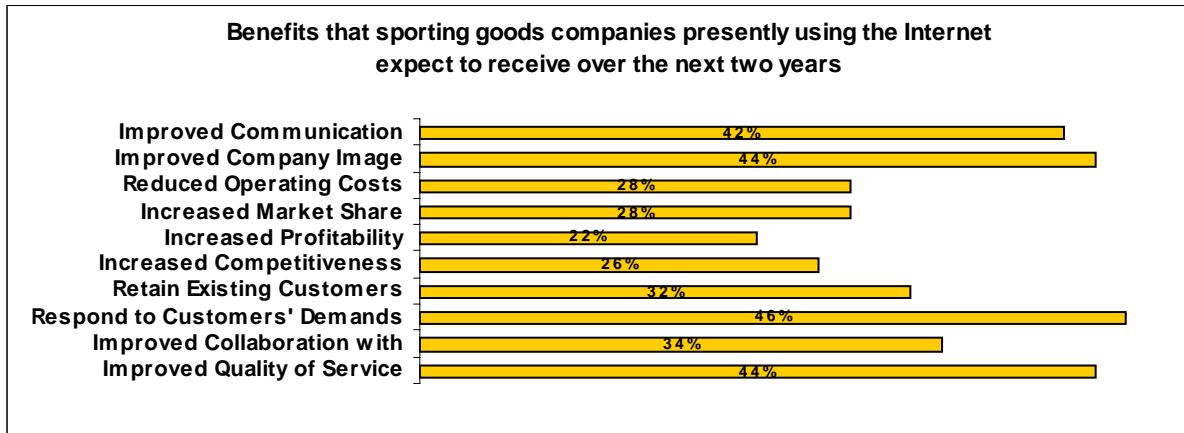


Chart 10



- Companies that are using the Internet are mainly driven by image, marketing and customer satisfaction benefits. Direct functions having to do with the bottom line, such as operating costs and profitability are not considered nearly as important in terms of expected benefits.

Chart 11



- For the companies that are not using the Internet to conduct business, the most important inhibiting factors preventing them to migrate to more significant web applications are costs, uncertainty of benefits and lack of personnel. A series of other factors such as attitude of management also have restraining effects.

Chart 12

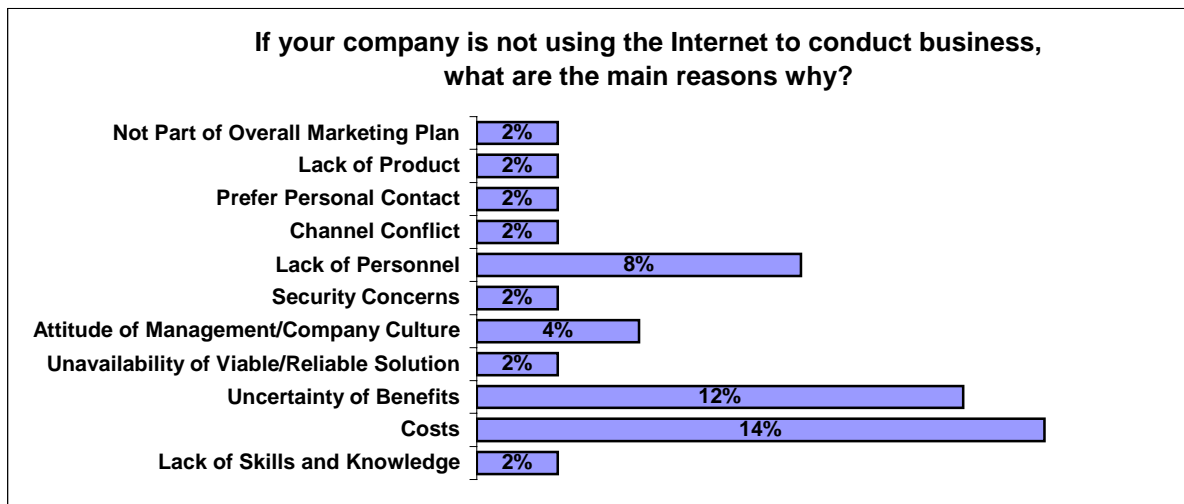
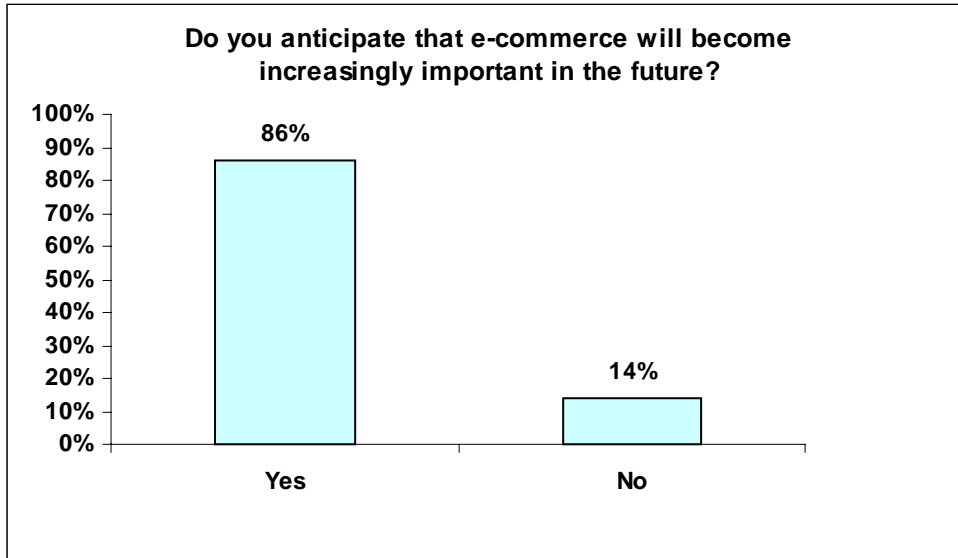
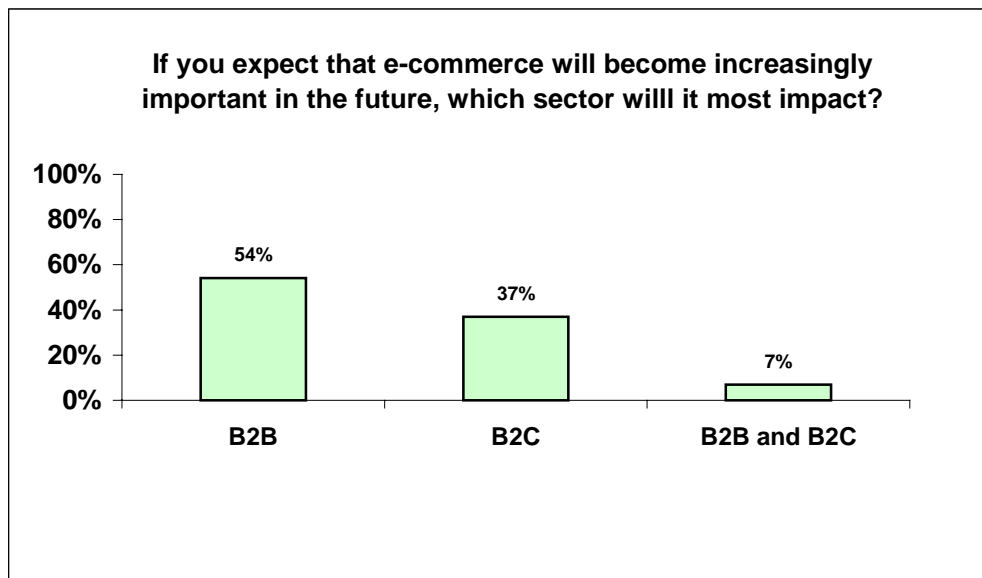


Chart 13



- As demonstrated in chart 14, companies feel that B2B will maintain a slight edge over B2C in the Industry with respect to the expected growth of Internet use for e-commerce purposes.

Chart 14



- The rate of significant and continuous growth of e-commerce will be steady but will span over more than two years according to the responding companies from the Sporting Goods Industry in general as well as within the hockey sector.

Chart 15

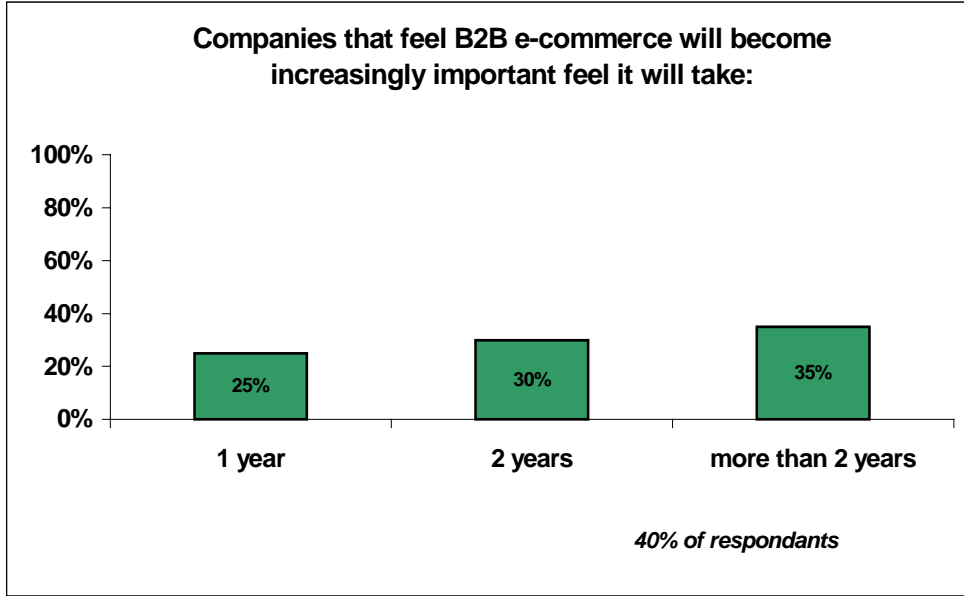
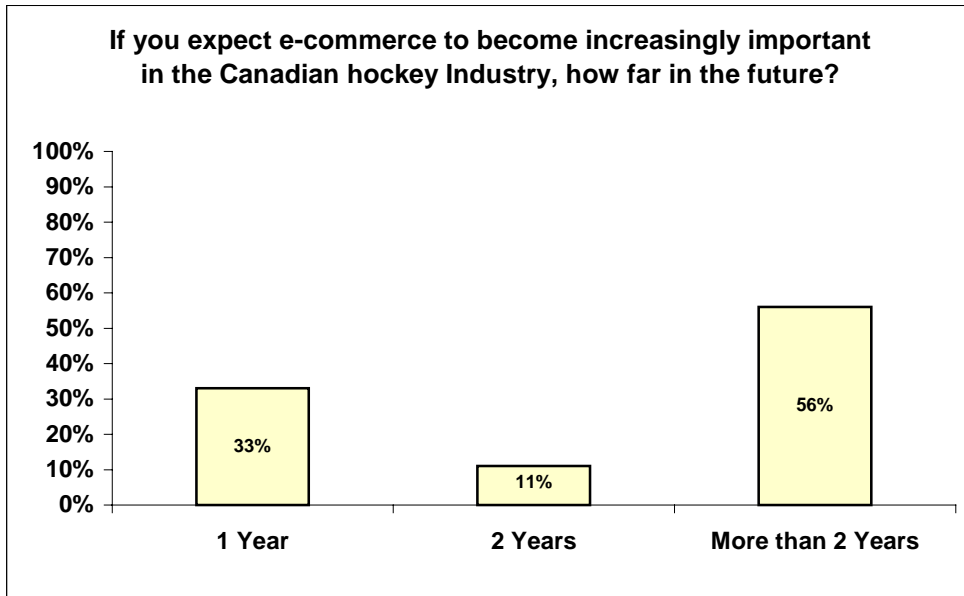


Chart 16



- As indicated in charts 17 and 18, members of both the Sporting Goods Apparel and Hockey Industry indicate an unequivocal expectation that e-commerce will increase in importance for their respective sectors.

Chart 17

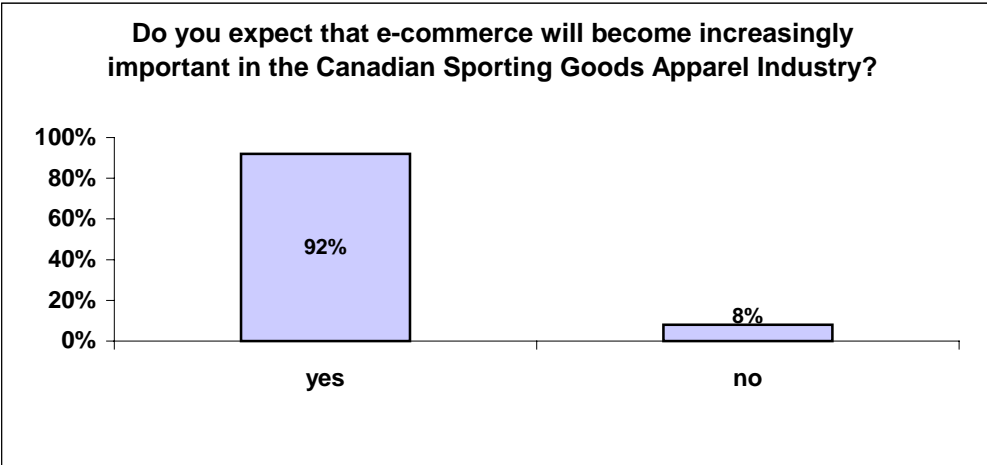
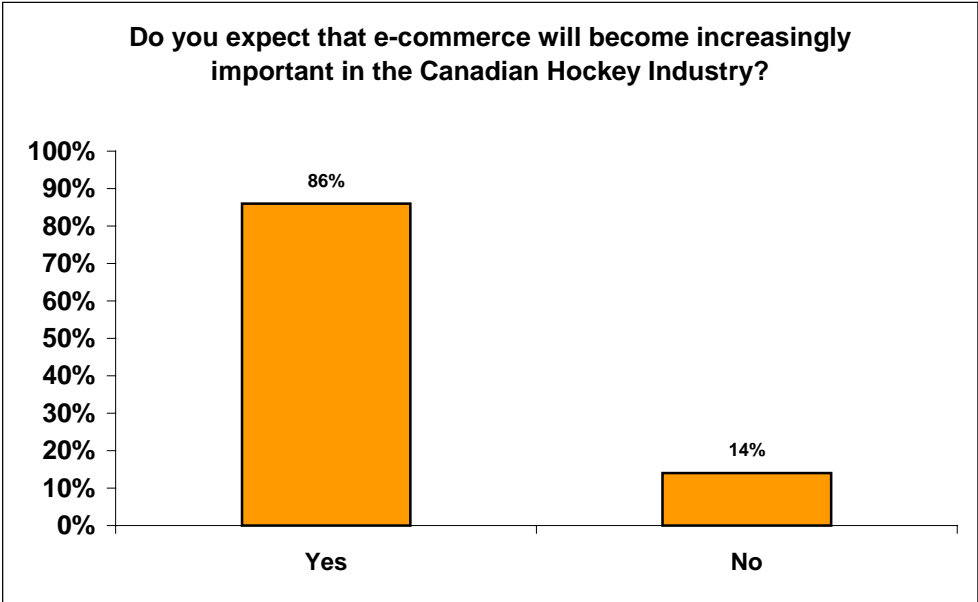
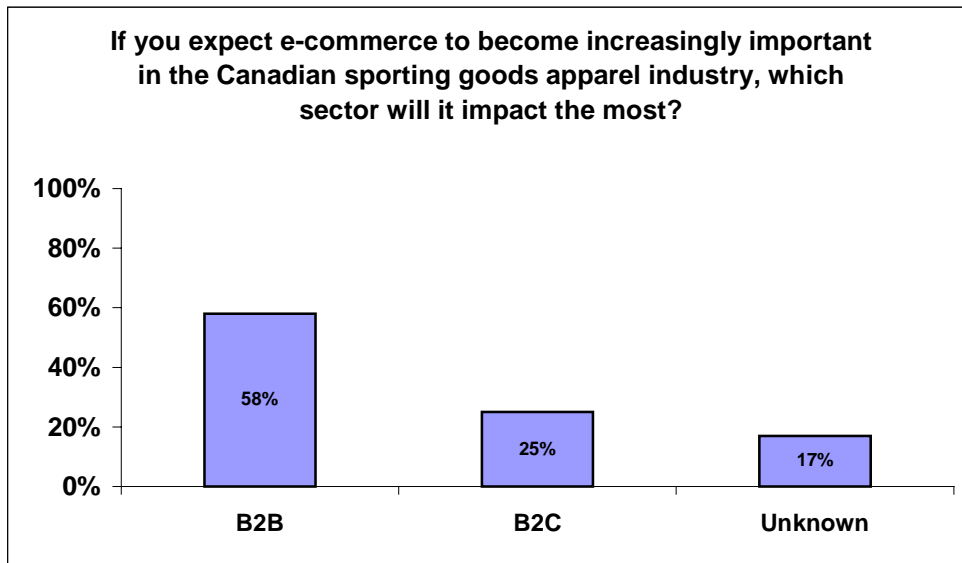


Chart 18



- The hockey and sporting goods apparel sectors, in the same basic proportions, expect B2B to have more importance than B2C.

Chart 19



- The present connectivity patterns of the hockey, chart 20, and sporting goods apparel sectors, chart 21, as well as their expected growth for the next year replicate that of the general sporting goods industry illustrated in chart 7.

Chart 20

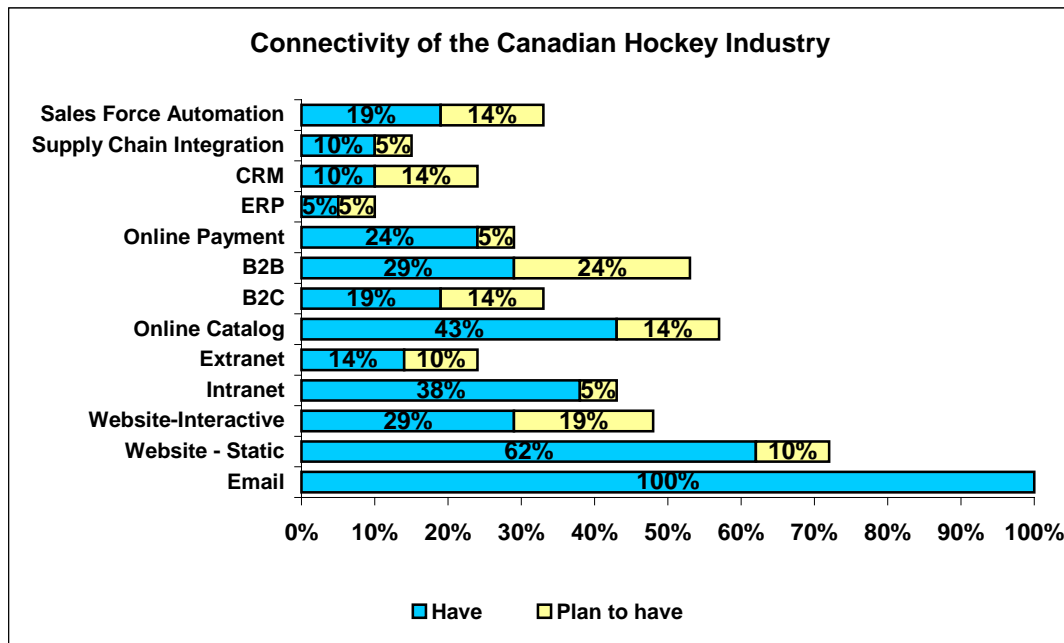
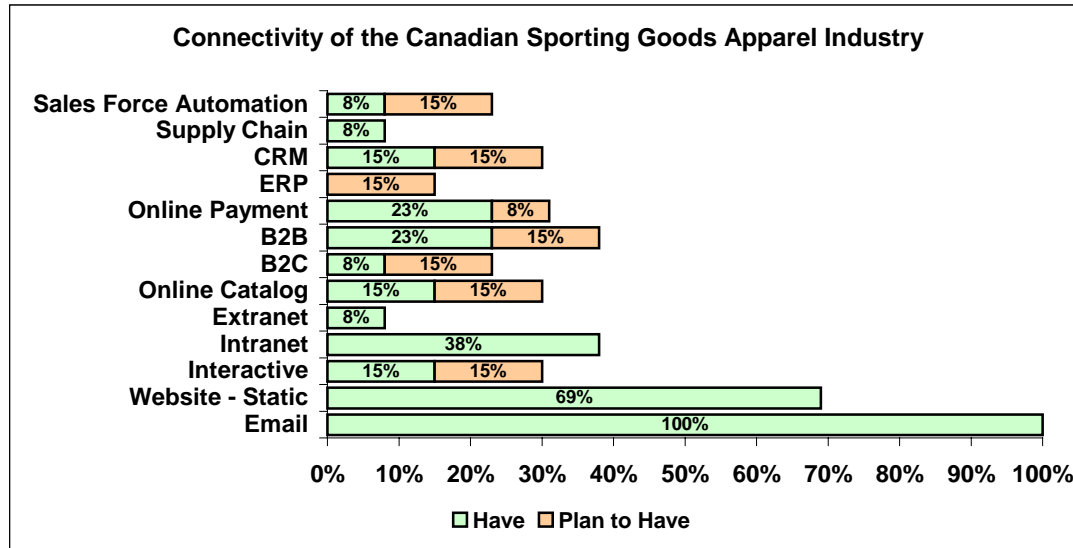


Chart 21



4. Comparisons

To create a point of reference for the findings of this E-Commerce Study, we have compared the above data to results found in similar studies conducted within the Canadian Manufacturing Industry at large and the Sporting Goods Industry in the United States.

It is important to note that the data outlined below can not be used as a direct comparison but rather as a means to relate, on a general level, where the Canadian Sporting Goods Industry stands in the use of e-commerce in regards with other groups in Canada and the United States.

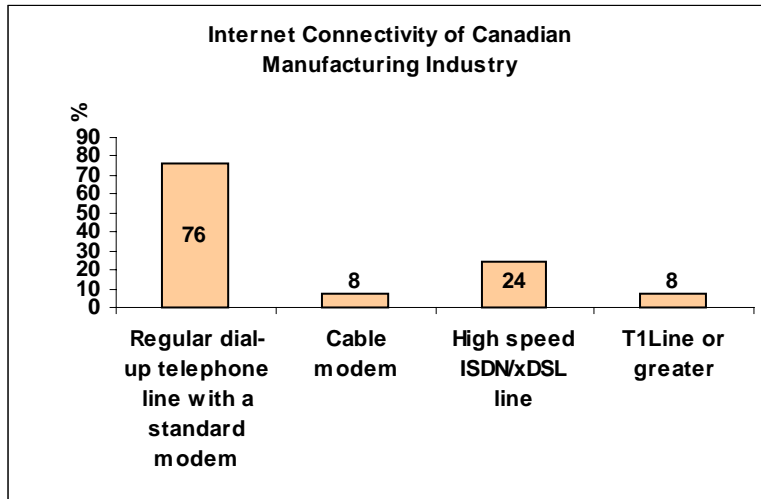
Comparative figures are taken from the 2000 Statistics Canada Internet/E-Commerce study for the Canadian Manufacturing Industry and the Sporting Goods Manufacturers Association (SGMA)'s 2001 Internet / Website Usage Study. Not all findings within these studies are reported.

2000 Statistics Canada Internet/E-Commerce Study

The results of Statistics Canada's 2000 Internet/E-Commerce Usage Study include findings for the complete Canadian Manufacturing Industry excluding the sporting goods sector.

- The comparison of the Statistics Canada Study with that of the Sporting Goods Industry indicates that the Sporting Goods Industry is not lagging behind its counterparts. Generally speaking, it seems to be developing its e-commerce functionality at a similar rate.

Chart 22



Source: Statistics Canada E-Commerce Study 2000

Chart 6 (Repeat)

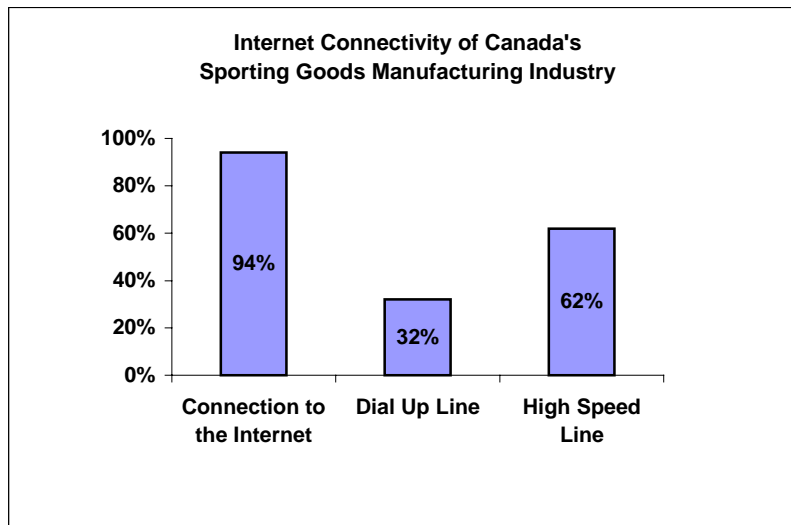
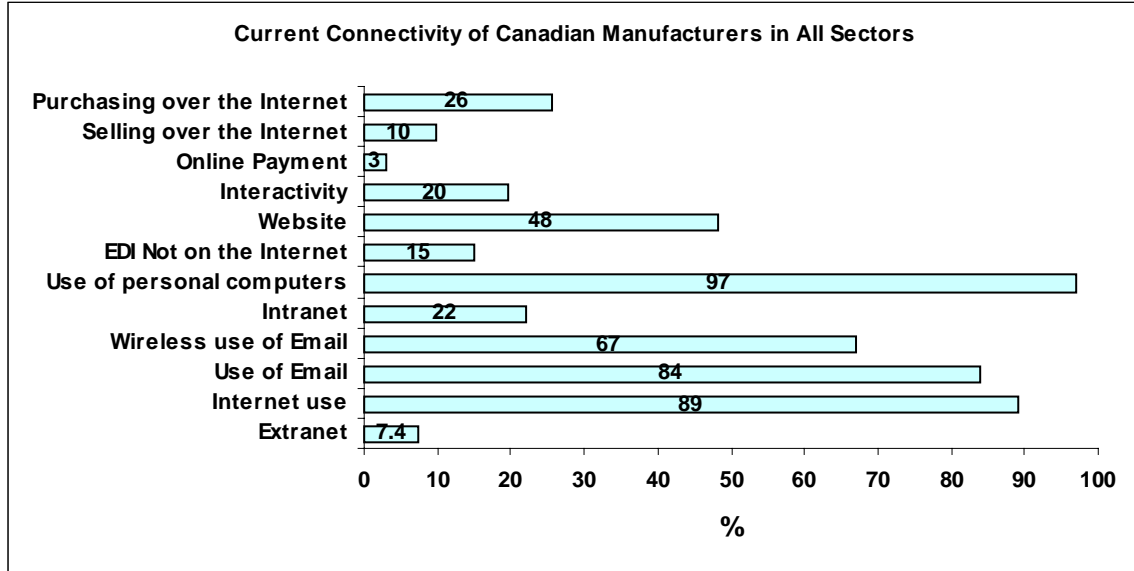
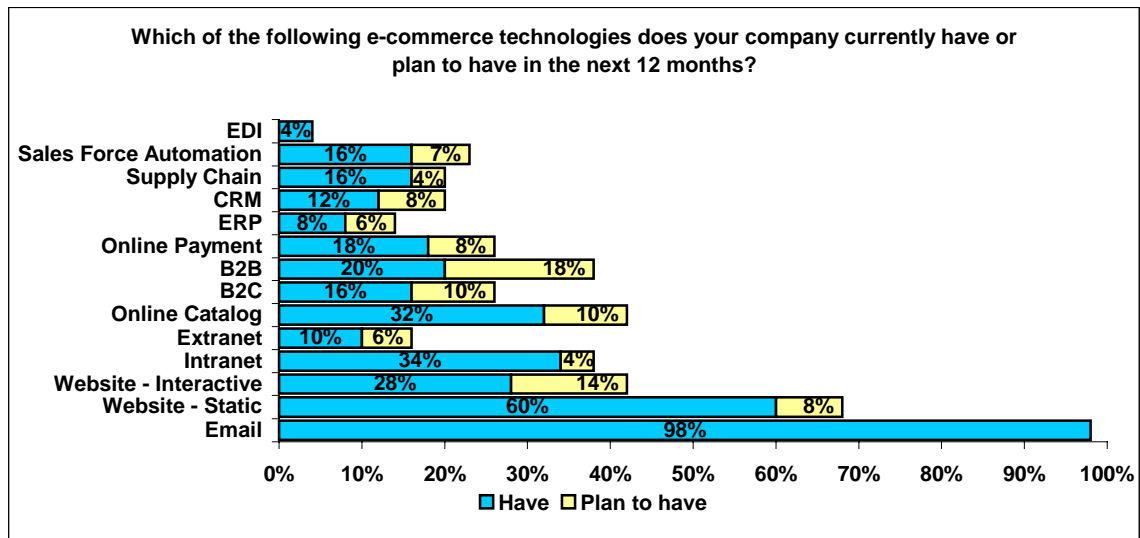


Chart 23



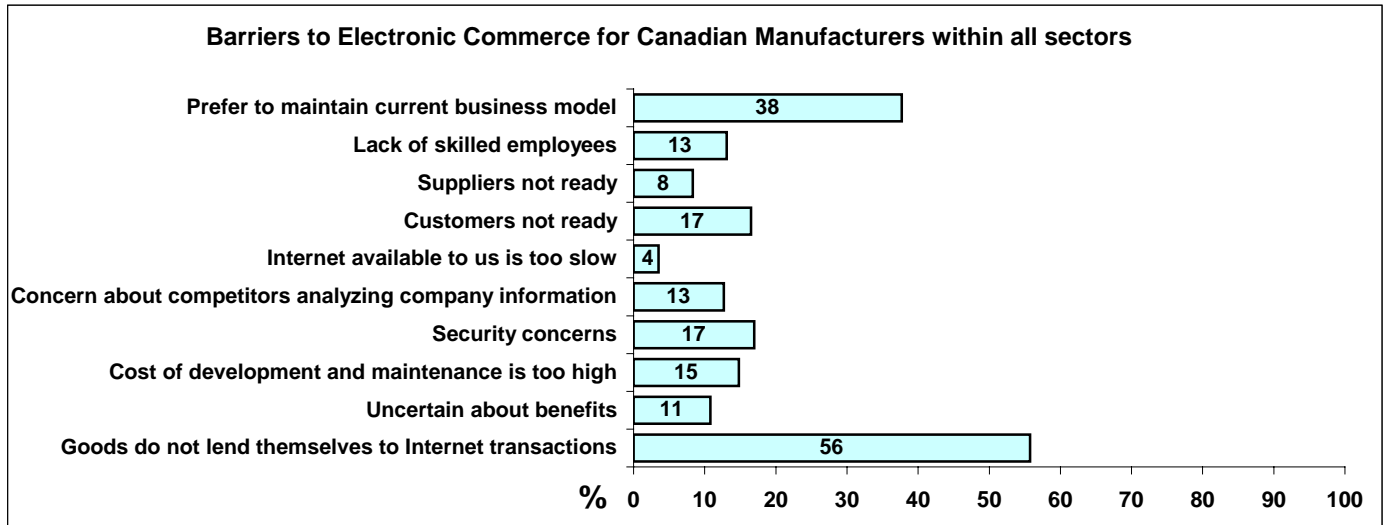
Source: Statistics Canada E-Commerce Study 2000

Chart 7 (Repeat)



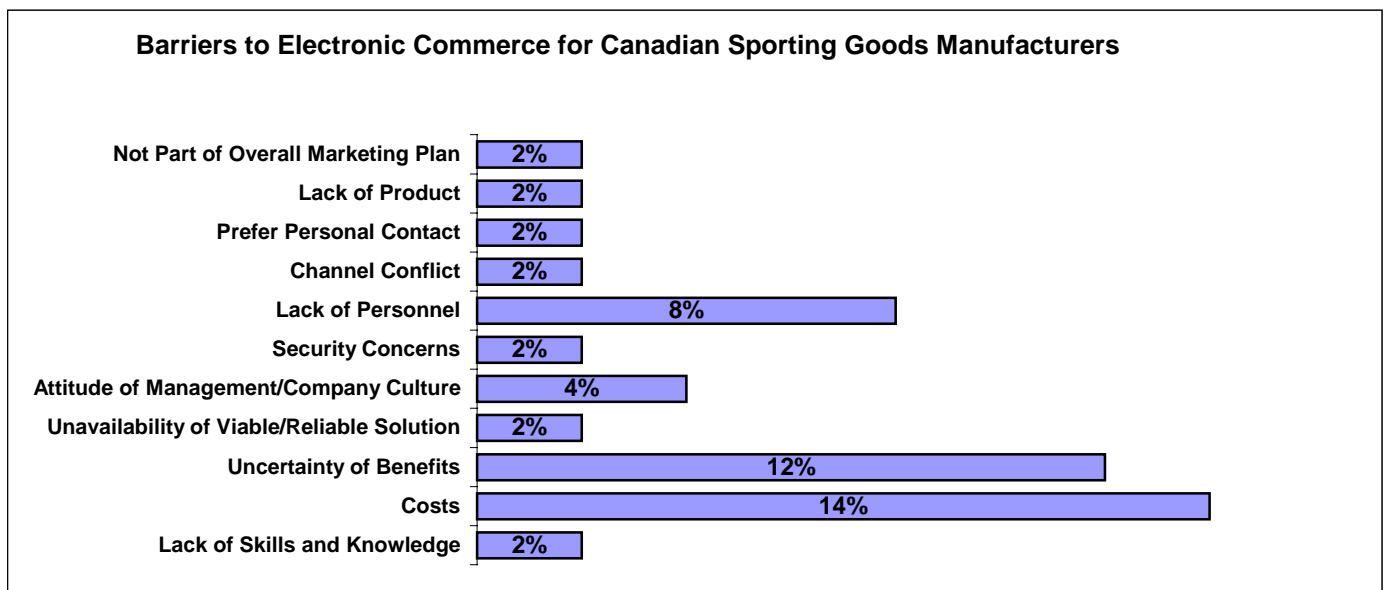
- In comparison with Canadian manufacturers from various sectors, although the main barriers to electronic commerce are quite different, there are some common points with regards to certain constraints including uncertainty of benefits, costs and lack of personnel.

Chart 24



Source: Statistics Canada E-Commerce Study 2000

Chart 12 (Repeat)



2001 Sporting Goods Manufacturers Association Internet Usage Study

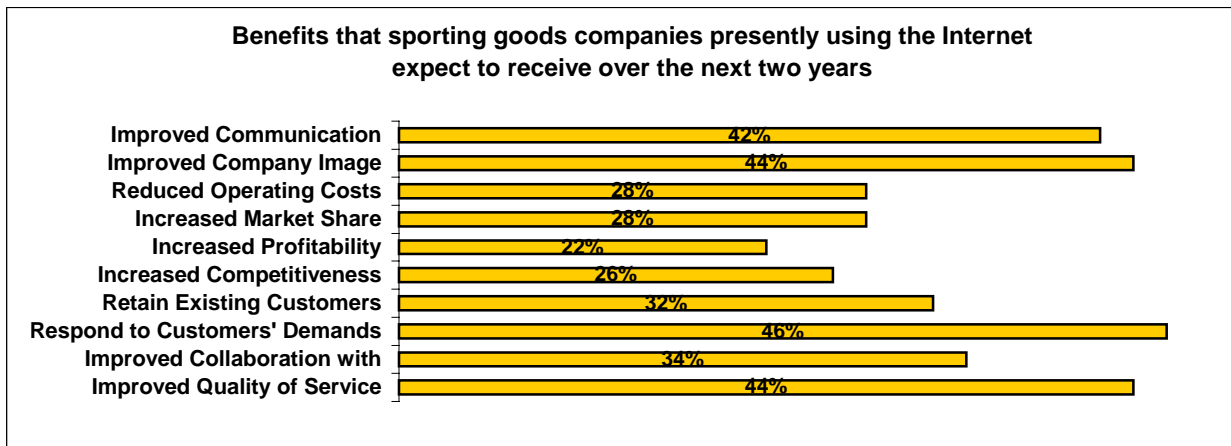
The results of the Sporting Goods Manufacturers Association (SGMA) 2001 Internet/Website Usage study include responses from two hundred twenty one respondents (9.2% of the total 2400 invited sporting goods manufacturing companies). The survey period was from January 21 through to February 9, 2001.

- In comparing the SGMA study with that done in Canada for the same sector, it is clear that both Canadian and US sporting goods manufacturers feel that the Internet is an important communication channel that satisfies the needs of their customers.

Table 1

Current Internet use (Feb. 2001) in the US Sporting Goods Industry:	
• To conduct business:	85%
• Send and receive e-mail:	94%, the most universal activity.
• Provide information about your company, products, services:	98%
• Provide Dealer Location:	50%
• Provide links for Industry and Retail support groups:	41%
• Conduct consumer or customer promotions:	33%
• Receive retail orders for products or services:	26%
• Customers retention programs:	11%

Chart 11 (Repeat)



- As established in the reference figures below, US manufacturers place a greater emphasis on the importance of the Internet in effectively conducting their business.

Reference figures from the SGMA Survey, Feb. 2001:

- 96% of the companies thought that the Internet would have a positive influence on their business over the next several years. (71% positive, 25% extremely positive)
- 81% felt their website would be important to maintain their competitive edge. (29% important, 36% very important, 16% extremely important)

5. Conclusions

This study provides the following assessments and conclusions on the current e-commerce usage of Canadian Sporting Goods Manufacturers:

- Canadian Sporting Goods Manufacturers have invested minimally in current Internet technologies. Although a large percentage of companies are connected to the Internet, very few have made significant investments in sophisticated online e-commerce systems and technologies.
- As a result of Canadian manufacturers minimal investment in e-commerce systems, few Canadian sporting goods companies are realizing improved supply chain efficiencies and other such quantifiable and tangible benefits accrued from these technologies.
- Canadian sporting goods manufacturers' minimal e-commerce investment can be explained, in most part, by their lack of understanding the benefits derived from e-commerce, and the low Internet use of their retail clients.
- Since a large percentage of Canadian manufacturers export, at this current and foreseen future rate of e-commerce usage, Canadian manufacturers are at risk of losing competitiveness to global companies who are investing in robust Internet technologies to further their sales and distribution channels.

6. Recommendations

In order to maintain the competitiveness of Canadian Sporting Goods Manufacturers, it is recommended that:

- Information dissemination programs to manufacturers and retailers are implemented rapidly to provide them with detailed information on the benefits and ROI of electronic commerce and advanced Internet technologies.
- E-commerce training programs be offered to both retailers and suppliers to get them better acquainted with these technologies and help them develop the skills and know-how to use them effectively.

Through this transfer of knowledge, Canadian Manufacturers will be able to make more informed decisions and compete on a level playing field with their International counterparts.