SPORT COUTURE
PREFACE

In 2012, I started my last semester writing my bachelor thesis. Choosing a topic to spend six months time on wasn’t easy. After picking the topic “Slow Fashion” I started the journey towards my graduation. However, after several months of researching and feeling completely lost with this topic I understood that finishing my thesis with the chosen subject was never going to happen. The subject was interesting but it did not suit my personal interest at all and the first attempt was an obvious fail.

After taking a break from AMFI, I took time to figure out what I wanted to do and from where I would want to start my career. When I was a teenager I was crazy about sneakers. I would follow blogs about the newest releases and it would become a hunt and race to obtain these. There was a huge collection of shoes stocked at my parent’s house. Nonetheless, when I started studying and living independent in a small student room, I couldn’t keep collecting. Though it didn’t stop my interest in sneakers, it expanded towards apparel and soon I began following all the news concerning sportswear.

In 2003, Adidas partnered up with Japanese menswear designer Yohji Yamamoto creating the Y-3 sub brand. I found the on-going partnership very interesting and questions arose such as: How can sportswear be sold at a price-level much higher in comparison to the regular lines? Something might be going on in the sportswear and fashion industry, and consumers might be spending money differently. My bachelor thesis was an opportunity to research the connection between the sportswear and fashion industry.

Researching, writing and finishing my thesis would have never happened if I didn’t receive support and help from my coach, friends and family. I would like to thank my coach Sean Chil- es for his guidance and sharing of his knowledge. He is a process coach who is up-to-date on previous and present news of the apparel industry and his genuine interest in the topic helped with giving accurate and specific advice. I would also like to thank Terry Tervoert, Chitra van der Zon, Mercedes de Bruyn and Idris van Heffen. Terry for checking my thesis for spell- ing and grammar mistakes, Chitra for being my second reader and sharing her critical thinking and knowledge in the buying department, Mer- cedes de Bruyn for her out-of-the-box thinking, and as last Idris for his ideas in story-telling and graphic design skills.

Also a special recognition to my family. These past years have been made possible by the un- conditional love and support from my dear family.

Enjoy reading!

Winxi Kan
Amsterdam, January 2014

I, Weing Xi Kan, declare that the text and work presented in this Bachelor thesis is original and no sources other than those mentioned in the text and its references have been used in creating this Bachelor thesis.
CELEBRITY – A person who has a prominent profile in day-to-day media and because of this commands some degree of public fascination and influence. A celebrity has fame, a great popular appeal and prominence in a particular field and is easily recognized by the general public.

COLLABORATIONS – Two parties cooperating to achieve shared goals.

HAUTE COUTURE – French for high fashion. Garments constructed by hand and made using materials from the best qualities. It is often very time consuming to create haute couture.

DIFFUSION LINE – A secondary line of products created by a fashion brand or designer that retails at lower prices. Diffusion lines are more accessible to the consumer.

E-COMMERCE – An industry where buying and selling of products or services are conducted over the internet.

GDP – The gross domestic product is the market value of all officially recognized final goods and services within a country. The GDP per capita is often considered an indicator of a country's standard of living.

GREEN FASHION – Also called sustainable fashion or eco-fashion are apparel products created and produced with consideration to the environmental and social impact. Products produced through the use of environmentally friendly materials and socially responsible methods of production.

MANAGING DIRECTOR – A chief executive officer is the highest-ranking executive in charge of the total management of an organization. His responsibilities include developing and implementing high-level strategies, making major corporate decisions, managing overall operations and recourses of a company, acting as the main point of communication between the board of directors and the corporate operations.

BRICK AND MORTAR STORES – Stores that have a physical presence and offer face-to-face customers an experience.

CAGR – Compound annual growth rate, the year-over-year growth rate of an investment over a specified period of time. It is calculated by taking the Xth root of the total percentage growth rate, where X is the number of years in the period being considered.

CEO – A chief executive officer is the highest-ranking executive in charge of the total management of an organization. His responsibilities include developing and implementing high-level strategies, making major corporate decisions, managing overall operations and recourses of a company, acting as the main point of communication between the board of directors and the corporate operations.

GREEN FASHION – Also called sustainable fashion or eco-fashion are apparel products created and produced with consideration to the environmental and social impact. Products produced through the use of environmentally friendly materials and socially responsible methods of production.

LICENSING – Renting a brand to a company that will use the brand name in association of a product for an agreed period of time. Extending a trademark onto products of a completely different nature.

LUXURY – Luxury can be defined as something that is more than necessary. The distinction between necessity and luxury is based on the availability or exclusivity of resources. While necessities are possessed by virtually everyone, luxuries are available exclusively to only a few people or at least only on rare occasions. Luxury therefore can be defined as anything that is desirable and beyond necessity.

NICHE – A small market segment on which a specific product is focusing. The market 'niche' defines the product features aimed at satisfying specific market needs as well as price range, production quality and demographics that is intended to impact.
EXECUTIVE SUMMARY

Sporty Chic, Haute Sportswear, Urban Sportswear, Street Sportswear, Modern Athletics etc.; these are all terms given to sportswear influenced apparel by the fashion industry's professionals. Following the global increase of health awareness in society, the sportswear industry has been booming for the past few years. It has resulted in major leading sports brands to re-evaluate their position in the apparel market and to look for opportunities to not only reach athletes but also the regular consumer. Despite of the recovery of the economy, the consumer spending continues to been strained. The recession has caused the consumer to become more aware of their choices and spending behaviour.

This report shows why sportswear companies are gaining market share in the fashion apparel industry, how they are achieving this and which market still holds new opportunities. First, the major events that have caused sportswear and fashion wear to come together are highlighted, in order to understand were the merging started. Next we look at the society and how sports and sportswear has influenced the consumer and vice versa. Finally, sportswear brands and the luxury market are examined by researching the recent developments in the luxury market.

Sportswear has always been part of the lifestyle of the male consumer, favouring functionality and practicality in garments. Women are less intrigued by these factors, they care more for appearance and are more likely to follow trends. Online retail is one of the fastest growing industries and a segment of that is the luxury market. The luxury market is also one of the fastest growing segments in e-commerce. The majority of the consumers that are frequent visitors of the internet and have pushed the developments of online stores. Online stores are user-friendly and on several occasions even more convenient than physical stores, therefore sales via online channels has increased immensely. The growth of the online industry is seen as the future of consumer purchase.

Consumers are spending less money but are adding more value and requirements to the products they buy. Special diffusion lines of sportswear brands are in comparison to ready-to-wear fashion lines often still lower in price. Although sportswear products are in a different price segment, sportswear brands have the opportunity to offer products that are special and exclusiveness, this is due to the technical research behind sportswear products. It is much larger and are better developed in comparison to fashion collections. All these extra features add value to the image of the product making it more attractive to the consumer even though it's cheaper in price.

To continue, online menswear boutiques understand that sportswear is becoming more important for consumers and that is reflected back in the increase of visibility of sportswear brands in these stores. Nonetheless, womenswear boutiques are falling behind on this movement. There are still many opportunities for womenswear boutiques to explore, regarding to sportswear brands in order for the companies to thrive even more.

“Luxury must be comfortable, otherwise it is not luxury.”
- Coco Chanel
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INTRODUCTION

1.1 PROBLEM DEFINITION

Today working out has become part of a lifestyle instead of being purely functional. It has integrated into our lives and every person has some connection to sportswear. Sportswear has changed from purely functional clothing into fashionable garments that represent our ideas and ideologies. Companies such as Nike and Adidas are expanding their collections into more fashion-oriented lines. Not only have they been operating as active wear brands but also as lifestyle brands. Sportswear has transcended into daily wear and it is moving out of the practical...
and into the fashionable. Running pants can be found on the street combined with hip sneakers and a casual jacket. The need for comfort and function is increasing. Due to the growing global awareness of health and exercise, people are willing to invest in their own body.

Sportswear-influenced apparel and sportswear brands have been slowly showing up in luxury stores. With a growing market share in the apparel market, are sportswear brands experiencing a shift in focus or are they just widening their spectrum? After the sportswear apparel industry the second market that is worth researching is the luxury market. The Luxury market is one of the fastest growing online markets and is expected to grow even faster. This new market offers opportunities for sportswear brands to explore and despite constrained consumer spending, the demand for sportswear apparel is set for strong. This report examines the increase of the sportswear industry and the opportunities for them in the luxury market.

1.2 AIM AND RESEARCH QUESTIONS

The aim of this research is to find out whether there is a market opportunity for sportswear brands in the luxury industry. In this way, investors and sportswear brands will be provided with insights in this current development and are given the opportunity to respond to future developments.

Therefore the following main question is formed to achieve this aim.

What are the opportunities for sportswear brands in the luxury market, offline and online?

To answer the main research question of this thesis, the following sub-questions are defined:

1. **What is sportswear and how has it evolved throughout the years?**
2. **Who are the current leaders in the sportswear industry and how are they positioned in the luxury market?**
3. **What is the viability for sportswear brands in the luxury market?**
4. **What is the market opportunity for sportswear brands?**

1.3 RESEARCH METHODOLOGY

Sportswear has a long and rich history. Due to the subject’s rich history, a lot of information can be found in books, articles and publications. This information is mainly obtained by qualitative research. The information obtained from these sources have been further researched with means of literature, field research and case studies. In order to answer each sub-question, different methods have been chosen accordingly:

**What is sportswear and how has it evolved throughout the years?**

Qualitative research methods and observations of current literature, articles and publications will be done. Creating a historical timeline will give the reader an overview of the emergence of sportswear and when, why and how sportswear made a switch from active wear to fashion wear.

**Who are the current leaders in the sportswear industry and how are they positioned in the luxury market?**

By observing the sportswear industry and collecting quantitative data regarding growth and revenue, will choose the leaders of the apparel industry. By re-creating the leading brands their company’s structure, an overview will be given of the strategies of the brands and where they are focusing on.

**What are the opportunities for sportswear brands in the luxury market, offline and online?**

For this question qualitative research is used for an analysis and observation of the luxury market and several physical and online boutiques selling luxury brands. The reason for this is to find out what the possibilities are for sportswear brands and where the opportunities are.

1.4 STRUCTURE

The thesis is structured first to give the reader an introduction towards the subject sportswear. Following, a current overview of the sportswear industry is given finalizing with future opportunities for sportswear brands. The end of each chapter has a conclusion to give the reader a short overview of what was read in the previous chapter.

Overview per chapter:

- **Chapter 2**
  Using a historical overview, this chapter provides a general definition of sportswear as well as in relation to fashion.
- **Chapter 3**
  This chapter will explore the influence of the sports culture on the regular consumer and fashion consumer.
- **Chapter 4**
  This chapter will explore the three leading sportswear brands and how they are positioned in the luxury market. It also shows the shift from sportswear brands towards lifestyle brands.
- **Chapter 5**
  This chapter will investigate the possibilities for sportswear brands in the luxury market. The luxury market is divided into the development in the physical and online stores.
- **Chapter 6**
  This chapter will give a conclusion of the entire research and in addition provide an opportunity for sportswear brands, in order to successfully establish in the luxury market.

1.5 RELEVANCE

There hasn’t been any book or report published that summarizes the history of active sports-wear and the importance it has gained in the past decades for the consumer. Sportswear brands have become an important sector in the apparel market, being one of the fastest growing segments in the apparel industry.

Therefore this thesis is foremost relevant for business investors, buyers, retailers and sportswear brands. The result of this thesis can give a certain forecast of the opportunities for sportswear brands in the luxury market.

1.6 LIMITATIONS

The intention of this report is to give an overview of the sportswear industry and the luxury industry and how both have influenced each other. The research in this thesis will be limited to analyzing three leading sportswear brands based on their yearly revenue and for the luxury industry we will only look at the developments in department and specialty stores.
Throughout history the sportswear and fashion industry have influenced each other to great extents. The world’s oldest and luxurious couture houses such as Chanel and Louis Vuitton began to design sports equipment branded with their logos. To understand where the influence of sportswear on fashion originated, an overview of the history of active sportswear and fashion sportswear will be provided.

By defining the differences between active sportswear and fashion sportswear a clear image of sportswear is formulated.
2.1 ACTIVE SPORTSWEAR TIMELINE

Active wear is sportswear designed and manufactured specifically for physical exercise. Besides being practical and comfortable, these specialized garments are designed to enhance the athlete's performance or for safety of the physical body.\(^2\)

To get a good overview of the history of sportswear brands, a timeline can be seen with a description of sportswear brands that still operate in the apparel industry.

1874  LYLE & Scott
A Scottish knitwear brand founded by William Lyle and Walter Scott. In 1967 a golf line was launched that was quickly favoured by top golfers and golf enthusiasts. From the 1980s till now the brand has been picked up by a younger and more fashionable consumer.\(^3\)

1882  LE COQ SPORTIF
Founded by Emile Camuset, in France. Starting from a little hosiery store towards producing jersey in his small workshop, the brand grew towards production of a large range of sports apparel and sports equipment. In 1948 the first garments were sold with the iconic Rooster logo.

1905  GOLA
The English based company produced track suits and trainers, which were extremely popular in continental Europe. During the 2000s, Gola re-launched their brand in the UK positioning them as a "retro" sports fashion brand selling premium sneakers.\(^4\)

1906  MIZUNO
Started up by the Mizuno brothers in Osaka, Japan as a retail shop selling western apparel. In 1913 the company manufactured baseballs and gloves, followed by golf equipment. Today it still produces a large amount of golf related apparel and equipment.\(^5\)

1908  CONVERSE
In the early days they produced rubber soled winter shoes. In 1915 Converse started manufacturing athletic shoes for tennis. By 1917 they developed an All-Star basketball shoe that was made famous by basketball player Charles H. Chuck Taylor. Converse is worn by consumers throughout the world. Since 2003, Converse Inc. is part of Nike Inc.\(^6\)

1911  FILA
The brand was created in Italy by the Fila brothers. Before moving into sportswear, the company produced underwear. The Fila brand was immensely popular in the 1980's rap scene, with rappers mentioning the brand in their songs.\(^7\)

1916  KAPPA
The origin of Kappa is in Turin, Italy. Their logo symbolises the idea of sportsmanship and freedom for men and women. For them this philosophy does not only concern sport but also the daily challenges.\(^8\)

1920  UMBRO
The British Umbro was set up by two brothers who were inspired by the nationwide growth of football. In an early period Umbro started working together with important sports people. For three decades they collaborated together with tennis player Ted Tinling and another collaboration was with Manchester United manager Matt Bushy. Together they started selling junior boys' kits, a set that would allow young players to wear the same look as their footballing idols.\(^9\)

1924  SCHUHFABRIK GEBRUDERS DASSLER
Founded in Herzogenaurach by brothers Dassler, that year marked the future of Adidas and Puma. After a fight the Dassler brothers parted ways and continued as Puma and Adidas.\(^10\)

1933  LACOSTE
The company’s founder is tennis player, Rene Lacoste. By fans he was nicknamed the “Crocodile” because of this tenacity on the tennis court. Hence, the logo of Lacoste. The brand is known for their famous polos in a wide variety of colours. In the 1970’s Lacoste made a shift from sportswear towards fashion wear. In the US the brand was extremely popular in the upper-class and in the 1980’s Lacoste played a large role in the “preppy wardrobe” style. Lacoste licensed its trademark to various companies and developed the brand into a lifestyle focused brand offering perfume, optical glasses, sunglasses, watches, leather goods and shoes.\(^11\)

1947  PUMA
After a fight the brothers of Schuhfabrik gebrude Dassler split up. Rudolf Dassler formed a new firm called Ruda that later was rebranded as Puma. Puma ranks as one of the top shoe brands after Nike and Adidas. The company was taken over in 2007 by French retailer Kering (75% share). Kering is also owner of several luxury brands including: Gucci, Saint Laurent Paris, Alexander McQueen, Bottega Veneta, Stella McCartney.\(^12\)
1949 ADIDAS
Adi Dassler continued producing shoes under the name Adidas. Nowadays Adidas is one of the largest sportswear brands in the world after expanding their product category to apparel and sports equipment. In the past decade Adidas has been working together with renowned fashion designers and musicians to expand brand to a more fashion conscious consumer.13

1949 ONITSUKA TIGER
One of the oldest shoe companies in Japan. In 1977 Onitsuka Tiger merged with GTO and JELENK company to form ASICS. Nonetheless, the name change of the vintage range of ASICS shoes are still produced and sold internationally under the Onitsuka Tiger label. The ASICS acronym stands for “Anima Sana in Corpore Sano” or “A Healthy Soul in a Healthy Body.”14

1952 O’NEILL
Jack O’Neill invented the wetsuit by gluing together pieces of neoprene rubber. In the early 20th century the sport surfing became immensely popular and developed into a billion-dollar market. Increased accessibility and affordability has drawn significant number of surfing participants and has attracted wider demographic groups beyond just the younger generation. As surfing became part of youth culture, brands such as Quicksilver, Roxy and Ripcurl began to follow.15

1952 FRED PERRY
Tibby Wegner, an Austrian footballer that had invented an anti-perspirant garment worn around the wrist approached tennis player Fred Perry to collaborate. Perry made a few changes and created the first sweatband. Together they also produced a short sleeved sports shirt made of white knitted cotton pique. Being launched at Wimbledon in 1952, the tennis shirts were an immediate success and began to be produced in several colours. During the 1960s and 1970s, the Fred Perry shirt became the garment of choice for several subcultures, ranging from the skinheads to the Northern soul scene.16

1964 BLUE RIBBON SPORT
Founded by University of Oregon track athlete Philip Knight and his coach Bill Bowerman. The company originally operated as a distributor for Japanese shoe maker Onitsuka Tiger. In 1971 Blue Ribbon Sports officially changed their company name to Nike Inc.17

1966 KSWISS
The Swiss brothers Art and Ernie Brunner, became interested in tennis after immigrating to the US. There they created the first leather tennis shoes and launched it under the name K-Swiss.18

1971 NIKE INC.
Nike is the leading brand in the sportswear industry. In 1988, Nike launched its first “Just Do It” campaign. The campaigns objective was to target every American regardless age, gender or physical fitness level. The “Just Do It” campaign remained annually and has been re-invented every year.19

1972 PONY
The company started with producing athletic footwear and by the 1980’s Pony was worn by many top athletes in major sports. Pony expanded its company into apparel and recently started producing streetwear as well. This resulted in several endorsement deals with non-athlete celebrities such as musician Snoop Dogg.20

1996 UNDER ARMOUR
Former University of Maryland football player Kevin Plank, started Under Armour by designing a superior t-shirt that would stay dry during practice. Under Armour has evolved to one of the youngest fastest growing sportswear brands offering sportswear and casual wear.21

1998 LULULEMON ATHLETICA
The company was founded by Dennis ‘Chip’ Wilson, who believes yoga is the optimal way to maintain athletic excellence even at an advanced age. With a passion for technical fabrics, he began producing apparel for yoga. As apparel designed specifically for yoga was not available at that time, Lululemon Athletica was a pioneering brand.22
2.2 TECHNOLOGICAL DEVELOPMENTS

Prior to the mid-19th century all apparel was handmade for individuals, garments were either home made or on order from dressmakers and tailors. By the beginning of the 20th century and with the rise of new technologies such as the sewing machine, the rise of global capitalism and the developments of the factory system of production. Active sportswear became increasingly mass-produced in standard sizes and was sold at fixed prices. Consumers benefitted of decreasing prices for sports apparel and sportswear became accessible for a broader consumer group.23

During the 20th century, new textile technologies became the driving force in the active sportswear market. Many early active sportswear garments were made from heavy wool, including clothing designed for the gym, bicycling and even swimming. Although these items may have lacked the high performance functionality of today’s active wear, the hydrophilic properties of wool did serve to pull moisture away from the body just as many contemporary textiles are designed to do.24

In the 1930s latex yarns were developed and at the end of the 1950’s spandex was developed, also know by the brand name Lycra. Developments of stretch materials had a major impact on both active and fashion wear. Due to the qualities of synthetic stretch materials (easy care, strong, thin, dye able) it was the ideal choice for active sportswear. By the 1980s spandex was not only used in specialized active wear but also in similarly body conscious fashion styles. However, not only new textiles were introduced. Features like zippers and velcro had an important additional functional value for sports apparel. Active sportswear was everywhere; sneakers, sweatpants and leggings, tank tops. Apparel that was meant-to-be worn in the gym became a part of everyday dressing for the exerciser and non-exerciser.25

In a rapid pace, sportswear brands are developing new technologies to improve sportswear with specialized functions. Manufacturers of sophisticated fabrics used in modern sportswear are investing in research and development more than ever. As a result, considerable improvements in the durability and performance of functional fabrics are being achieved.

Today the market for active sportswear has never been more competitive and leading sportswear brands have research centres to test new products. In 1980, Nike established the “Nike Sport Research Lab” (NSRL). At the NSRL athletes, scientists, engineers and designers work together with state-of-the-art equipment such as 3D motion capture and environmental chambers to collect data, analysis and insights that provide the foundation for innovative Nike products. For example, Nike’s environmental chambers create atmosphere of extreme temperatures and athletes are tested in these artificial environments in the NSRL, the focus is on biomechanics, physiology, perfection and athletic performance.

Nike has, in some instances, led the way in technological innovation in making apparel from the Nike Air and Hyperfuse technology among many others, to Nike+iPod and Nike+GPS, which were developed as part of and early partnership between apple and Nike. Nike+iPod was one of the first training apps and comes with a sensor that you put in your Nike sneakers that track your run, sending all relevant data to your Ipod or Iphone. It collects mileage, speed, route etc. and syncs it to www.nikeplus.com allowing you to set goals, share runs and even compete against your friends.26

Adidas has implemented different types of technology in its product offering, for professional athletes and for consumers across various sporting categories including football, running, training, sports style and team sports. From a manufacturing and design perspective they have:

Footwear - Climacool, Climawarm, Formotion, Torsion system, GeoFit, Adiprene and Bounce.


Each of these impact on a different aspect of lightness, absorption, fit and so on.

Adidas has developed the miCoach Mobile app for Iphone, Blackberry and Adroid with the miCoach Pacer helping you track your training progress, providing heart rate data, measuring distance, calories burned and providing training programmes – for different sports and requirements. It can give strength, speed etc. and voice coaching. The Pacer syncs with www.micoach.com and has a headphone jack for you to listen to voice coaching.

The constant evolution of technology forces sportswear companies to think creative and to be on the edge of innovation to ensure its success. Sportswear companies therefore continue to find ways to incorporate innovation into their product and process, by creating gear that is comfortable and enhancing performance.
2.3 FASHION SPORTSWEAR

Practicality aside, advances in the technology of sportswear textiles have also resulted in visually new features in fashion design. Before sportswear brands even existed, the influence of sportswear in and on fashion could already be seen in the 18th century. Recreation was a luxury for most people and therefore exclusive for the higher-class society. Dressing especially for sports signified social status and wealth.

To understand the current influence of sportswear in the fashion industry, this chapter analyses the first encounters of sportswear and fashion. The following paragraph reveals major events, in which sportswear and fashion intertwined.29, 30

1871

Designer John Redfern can be considered as the first designer of sportswear. Next to his tailoring business, he decided to expand his company by designing garments specifically intended for sport activities – which were extremely popular at the time.31

1920s

Before the 1920s, sportswear still struggled with the formal and restrictive nature of clothing. However, from the 1920s onwards practicality in sportswear began to progress as Parisian designer Jean Patou shortened the tennis skirt.32 His great rival Gabrielle Chanel started experimenting with jersey materials in the same time period. Inspired by the sports outfits of tennis players, she was the first to combine sports material with haute couture. Although one could consider her stretch jersey designs as sportswear, Chanel was not seen as a sportswear designer.33

1930s

Madeleine Vionnet was inspired by the Russian ballet and designed garments for several dancers. Being both functional and chic, her style can be considered a significant precursor of contemporary luxury sportswear.34

1940s

The 1940s towards the 1970s marked a new era for sportswear in America. The designers, Claire McCardell, Vera Maxwell, Anne Klein and Bonnie Cashin among others liberated American fashion from the constraints of Parisian design. These designers established the modern dress code, allowing playsuits and other active wear to be worn as casual clothing. They enabled pants to enter the wardrobe as an alternative to skirts, and prized rationalism and versatility in dress instead of dressing for occasions. Fashion in America was logical and influenced by the will of the women who wore it. Implicitly or explicitly, American fashion addressed a democracy, whereas traditional Paris-based fashion was authoritarian and imposed on women, willing or not.35

1980s

Successful movies in the early 1980s such as Flashdance, Fame and Dirty Dancing, elevated sportswear and dance wear to new heights of popularity. The aerobics generation wore vibrant coloured bodysuits, slashed sweatshirts, leg warmers and sportswear for women marked sexiness.

Hip Hop icons began wearing clothing items such as bright-coloured tracksuits and high priced sneakers of brands such as Nike, Puma, Adidas, Reebok etc. In this time sportswear brands were closely associated with the hip-hop scene.

The partnership with Michael Jordan in 1984 was a huge turning point for sportswear. A massive and very effective advertising campaign was launched, after which sneakers began to dominate urban streetwear in the late 1980s and early 1990s.36

2000s

Over the past few years, both the fashion and sports industry have heavily influenced each other. Designers are influenced by the sportswear culture, which is evident in the seasonal collections. Editors and stylists are using the sportswear themes for editorials and there is an increased growth of collaborations between the sports and fashion industry. Famous designers, Yohji Yamamamoto and Stella McCartney began to collaborate with sportswear giant Adidas for a special fashion line. Likewise the sports theme influenced American fashion designers, the most prominent one being; Alexander Wang. Wang based all this collections on sport activity and the merge of both continues.38
CHAPTER II

2.3.1 CURRENT FASHION DESIGNERS

From classic brands such as Diane von Furstenberg to younger designers like Derek Lam and Philip Lim, the sportswear theme can be seen in many designer collections. Elements such as hoodies, zippers, reflective materials and other technical textiles are eagerly incorporated in designer collections. From using small sportswear detailing to replicating entire sportswear outfits, the sportswear influence is obviously present on the catwalk. In addition to the increasing number of sportswear inspired fashion collections, there is also a rise in terms of collaborations between fashion designers and sportswear brands. Sportswear giant Adidas has been collaborating with several of the fashion industry’s famous designers such as, Yohji Yamamoto, Stella McCartney, Rick Owens and Raf Simons. Next to Adidas, Puma is also working together with big names as Alexander McQueen and Hussein Chayalan.

In the last years, young American designer Alexander Wang has been in the spotlight for his sportswear themed collections. From the beginning, each collection has been inspired by competitive sport and his latest collection was for example inspired by the boxing industry. The designs are a combination of high-tech fabrics with the designer’s signature urban edge. Laser cut mesh jackets, reversible knits, bright technical polo shirts, scuba bags, bmx helmets and cycling helmets etc. have all been transformed by Wang. With sportswear as an eternal source of inspiration, Wang’s collections can be considered a sleek and modern interpretation of athletic wear.

At the end of 2012, Wang was appointed to become the new creative director of the 95-year-old legendary Paris fashion house Balenciaga. Balenciaga is one of Europe’s oldest fashion houses founded by Spanish designer Cristóbal Balenciaga, who was referred to as “the master of us all” by Christian Dior. The choice for Wang was remarkable, as Wang is more a contemporary designer and not really a high-fashion designer. Perhaps, this indicates a desire to change the brand’s exclusive positioning - with Wang’s signature urban edge. Laser cut mesh jackets, reversible knits, bright technical polo shirts, scuba bags, bmx helmets and cycling helmets etc. have all been transformed by Wang. With sportswear as an eternal source of inspiration, Wang’s collections can be considered a sleek and modern interpretation of athletic wear.

2.4 CONCLUSION

There is a visible move of sports apparel out of the sportswear context and into fashionable streetwear. While fashion designers have been doing this for some time, we are now seeing a growing trend of sports brands following and creating their own version of the sneaker wedge. Though, surprising not only fashion brands were developing high-heeled sneakers. Sportswear brands were staying behind and wedged sneakers from Nike, Adidas, Puma appeared. Both fashion and sportswear brands are taking style elements from each other and merging it into their own designs. This marks the significant importance of the sportswear industry to the sportswear industry and vice versa.

Francois-Henri Pinault, CEO of Kering - Balenciaga explained why Wang was chosen to build on such a legacy: “We could have found a very strong talent who would give no consideration to what’s been done before, to do something completely different. I didn’t want that at all. We’ve spent a lot of time trying to understand who - not what, but who - is Balenciaga as a human being. What are the key attributes? What is the DNA of the brand? We intend to build on what Nicolas (previous creative director) has created, the modernity and avant-garde feel, but still adapted to the reality of the street.”

Another recent phenomenon is the must-have item that has female consumers raving about, the sneaker wedge. It all started with French designer Isabel Marant. For the Spring Summer 2012 collection she launched the Willow sneaker wedge - the sneaker that is comfortable but at the same time elegant. The shoes were priced at $760 and were sold in no time with the only pairs still available being sold on bidding site Ebay for over $1000. The shoes were a huge success in the fashion industry with all women craving for more. Following Isabel Marant’s success of the sneaker wedge, other fashion brands followed and created their own version of the sneaker wedge. Though, surprisingly not only fashion brands were developing high-heeled sneakers. Sportswear brands were staying behind and wedged sneakers from Nike, Adidas, Puma appeared. Both fashion and sportswear brands are taking style elements from each other and merging it into their own designs. This marks the significant importance of the sportswear industry to the sportswear industry and vice versa.

Adidas, Puma appeared. Both fashion brands followed and created their own version of the sneaker wedge and vice versa.
While the fashion industry has promoted the skinny body image to women, recently a new trend has been growing in the world social media – Facebook, Twitter and Instagram. Women are motivating each other by promoting the fact that strong is the new skinny. Modern day women do not want to work-out anymore to become skinny, they are working-out to become fit and strong. A new positive mind set confirms how important the sports movement has become in modern day culture.

Over the past 15 years there has been a huge increase in participation in physical activity all over the world. Sport activities are used as a tool for promoting human health and many researches have concluded that common health problems and diseases such as obesity, mental illness, diabetes and cancers can be prevented or the risk of getting them can be lowered by doing a proper amount of exercise. People began visiting gyms to lose weight or to remain fit and a variety of new fitness classes emerged including yoga, steps, aerobics, martial arts, and dance-based fitness. There is a global increase of people who want to remain fit and healthy and the consumers are become more health conscious.

This chapter will look into the role of sports culture in modern society and how it influences the consumer and the fashion industry.
3.1 CONSUMER ASSOCIATIONS

40 years ago, sportswear brands were always worn for its practicality and functionality during physical sport and never had any connection to fashion. However, in today's society sportswear brands have become invaluable in modern streetwear. The popularity of sportswear brands is increasing fast with sportswear becoming a fashion statement and being part of the daily look. Active sportswear sneakers being worn by consumers is a global trend that has been going on for a long period, but has now involved into a fashion item. The sneakers of sportswear brands have had an immense influence on the consumer lifestyle.

Although most of the sportswear products are marketed towards the consumer who intends to use it for the practice of sports, the majority of the consumers buy these items for its fashion appeal. It has become a trend to wear sportswear brands outside of the environments in which the physical activities takes place.54-55

To make another clear distinction is that men and women look at sportswear differently. While men associate sportswear brand with comfort and practicality, women are influenced more by trend, when it comes to sportswear. As mentioned in the previous chapter, sportswear for women is often referred to as “Sporty Chic” or another fancy definition. Both consumer groups have a slightly different approach towards sportswear.56

Due to the consumer behavior there is also the change in society that is occurring. It has become more and more acceptable for people to wear casual clothing, even in the working environments.57 Casual wear is connected to comfort and this is exactly the most important characteristic of sportswear. The purpose of sportswear is to be comfortable for the wearer and helping them to feel comfortable.

With the increasing popularity of sportswear brands being worn on a daily basis, sportswear brands have decided to respond to this newly risen market by improving style, cut and design of its sportswear assortment.

3.2 BRAND INFLUENCE

A brand is defined as a distinctive picture and association positioned in the mind of the consumer as an object (product, service) or subject (person, institution). When applied to sports, this definition means that a product or service, such as a type of sports (soccer) or an event (world championship), or a person (athlete) and institution (club) can be perceived as a brand. It also means that sports consumers perceive these objects and subjects in different ways, meaning that the brand gives an impression, it stands for certain values, for an image, a reputation and for a position in our mind set. Branding in sports could be considered the most important tool that companies need to find new growth opportunities.58

Sportswear is one of the largest apparel industries. In Europe almost 90% of the people under 35 and 76% of the global population buy at least one sportswear item a year.59 As consumers benefit from a broad range of choice, brand awareness and credibility is crucial for companies to differentiate. Therefore, marketing budgets have increased to great extents and innovation of performance enhancing technologies is extremely relevant for sports manufacturers.

To give an example of the importance of branding. In 1986 hip-hop group Run DMC released the song “My Adidas”. During one of their concerts in front of 40,000 fans the group held up the famous 3-striped shoe. One of the concert visitors was an Adidas employee and it resulted in a partnership between the two.60 This merge of art and sport not only kicked off the everlasting street fashion trend but also marked the birth of non-athletic promotions in the sporting goods industry.

Another example is the Air Jordan hype. While the typical hype involves only a short span of popularity, in this case the popularity of the Jordan Brand only grows larger every day. The Air Jordan sneaker was produced by Nike in collaboration with player Michael Jordan in 1984.61 Due to the popularity Nike continued the collaboration by annually releasing new designs.

In the recent years, sportswear companies have been introducing new events to engage physical activities into the consumer’s life. For example organises the “We Run” races that are held worldwide in different cities. The races range in distances from 5K to full marathons and reflect the unique energy of each city. Adapted specifically to each individual city, the We Run races are an event that brings together athletes.62 Runners are preparing for these races through the Nike community, Nike’s phone application that allows athletes to track their activities, set personal goals, improve performance and share goals with friends. Through these systems, sportswear brands are able to globally connect runners and to inspire and motivate them to achieve and exceed their race goals.63
CHAPTER III

3.3 CELEBRITY ENDORSEMENTS

Another major reason for the popularity of sportswear has been the celebrity endorsement of sportswear brands. The modern mass media has increased the exposure and power of celebrities. Often celebrities cannot escape the public eye and risk being followed by fans. Associating a brand with a famous personality can do more than perk up a brand. It can create a link with the appeal of the brand, thereby adding a refreshing new dimension to the brand image. Combining a personality with a product and message can create an instant breakthrough, resulting in a buzz around the brand. Consumers become aware of the brand and they want to be part of the brand story.

Celebrities embody a collection of cultural relevant images, symbols and values as they are associated with the product through endorsements. The symbolic value they attach to the product are transferred to the consumer through consumption. Therefore, the practice of celebrity endorsement should be closely related to the cultural connection in which the images of celebrities are formed and individual celebrities linked with particular products. To give and example of what kind of negative publicity could come from a celebrity following the appearance of British model Kate Moss using cocaine; several major fashion companies dropped her as campaign model. Yet, due to the fact she was one of the worlds most popular model the fashion industry forgave her missteps.

However, celebrities can have a positive influence on consumers. It fuels favourable word-of-mouth as well as brand loyalty. This suggests that celebrities are important to consumers when they make brand choices and talk about these brands positively.

One of the biggest names in the fashion and sportswear industry is English football player David Beckham. Aside from his football success, he has attracted a lot of publicity by modelling for fashion campaigns such as Italian fashion house Emporio Armani and also designing a body wear range, which was launched with Swedish high street merchant Hennes & Mauritz. The collection was released in 1850 stores spread across forty countries. Still his largest achievement was with Adidas by signing a 160 million dollars worth lifetime endorsement contract with Adidas. David Beckham's popularity in combination of the sports and fashion industry has changed him from a regular athlete to a certain brand image, admired by the consumers.

3.4 SUSTAINABILITY

In developed countries there is a growing “green” feeling, which is in favour of environmental protection and encourages a greater participation in outdoor pursuits. Green consumers are concerned about the environmental impact of the products they buy and are susceptible to arguments about fibre’s recyclability. The true life-time environmental impact of a product is of course very difficult to define and may not be represented by simplistic arguments of this kind. It can be argued for example that polyester is more environmental friendly than cotton. While actually the entire manufacturing industry is bad for the environment. Nevertheless, there is a clear growing demand for this product, which can be demonstrated in some way to be environmentally friendly.

Sportswear brands are also acquainted with the terms green fashion and sustainable fashion. Nike, Adidas as well as Puma are part of an industry coalition that is aiming to reduce the environmental impact of textile manufacturing and remove the discharge of hazardous chemicals from its supply chains by 2020. The coalition was formed within weeks after Greenpeace launched its “Detox Challenge”, which targeted global brands including Nike, Adidas and Puma with the aim of stopping their suppliers from dumping chemical waste into waterways around the world. The world didn’t even get the time to enable a boycott of the brands and the mentioned sportswear brands were already promising to change its production. This shows the power the consumer has on the apparel industry.

Adidas also confirmed it developed 165 new sustainable performance fabrics specifically for the 2012 Olympics, including the iconic deep purple jackets and shirts made from 100% recycled materials for the 70000 games volunteers.

Both Adidas and Nike are currently heavily investing in the development of clothes made from recycled plastics. Along the same line, Nike is using recycled material for its football kits in growing amounts.

3.5 CONCLUSION

It is clear that the visibility in society of sportswear brands has increased immensely in the past era. Consumers are becoming more aware of their health and body image and the sports lifestyle is evolving to be a dominant part in life. In the past decade comfort in apparel has also become a lot more acceptable, in society but also in the work environment. Moreover, sportswear’s biggest characteristic is to give the wearer comfort.

Sportswear brands have become immensely popular and they have been often worn as casual wear, as sportswear is associated with comfort. Artists, musicians, athletes and events, have also contributed to this ongoing fixed trend and they all can have a huge impact on the consumer.

The power of the consumer has also grown. The production process is becoming more visible to the consumer and awareness of buying safe products is increasing. Brands are forced to produce under strict circumstances, offering products that are not harmful for the consumer. The influence of sportswear in the society is growing and is also set to grow even more.
When the global financial crisis hit in 2008, global trade fell by nearly 30% relative to the world's GDP. The recession and economic slowdown have reduced buying power and consumers are saving as much as possible. Though, according to market researchers a modest growth is expected of the apparel and accessories retail industry during 2012 – 2017 and it is estimated to reach 1.369 billion in 2017 with a CAGR of 4% over the next five years.

Despite the problematic economy, there are two apparel segments still growing. Both the sportswear and the luxury markets have proven to continue to grow by implementing new strategies to attract the consumers. In the past decade, the sportswear and luxury market have slowly crossed paths. For years, high-end fashion designers fused active sportswear elements into their designs and now sportswear is taking a step to the luxury market.

To understand this step, first an understanding of the luxury market and its growth needs to be established. Extending on, sportswear brands can be analysed within the luxury context in order to understand the strategy they are implementing to enter the luxury market. With this approach, the position of sportswear brands in the luxury market can be determined.
4.1 LUXURY BRANDS

Despite the on-going macroeconomic uncertainty and negative profit reports from major luxury brands, the global luxury industry is still forecasted to grow the following years. Increasing prosperity and better economics of markets such as the Asia Pacific, Latin America and Africa have a positive influence on the development of the luxury market. According to forecasts, the luxury consumption in Asia Pacific is expected to grow 170% over the next 5 years and is set to overtake the consumption share in Western Europe by 2018. As for 2013, the sales of luxury goods will exceed $318 billion worldwide and will continue to represent a value gain of 3%, in comparison to 4% in the previous year.

When the global recession started in the global economy, the retailers in the luxury market were hit the hardest. The sales numbers of luxury department stores were disastrous and it resulted in massive discounts. One by one, luxury designers and brands were filing for bankruptcy or were in financial difficulties. Company strategies of luxury brands had to be changed to reach a broader target group and to remain profitable. Luxury brands were introducing secondary ready-to-wear lines, and other new innovative collections to reach the target group who always wanted to buy the brand but could not afford the products. An example of a successful approach are the collaborations of high-fashion designers with Swedish retailer Hennes & Mauritz. Hennes & Mauritz partnered up with luxury designers such as: Karl Lagerfeld, Viktor & Rolf, Lanvin and several others to create a collection priced above H&M’s regular collections but far below the luxury brands price level.

For luxury brands, the fine line between ‘Cheap and Cheaper’ is thin. Many luxury companies have faced the challenge of offering a more affordable product and to keep its high standard brand image. It is an art for luxury brands to launch a cheaper product line, without it backfiring and damaging the company’s high-end brand image.

Although the price level of many ready-to-wear lines are cheaper than the main line, compared to the sportswear price level the products are still expensive.

4.2 MARKET LEADERS

As of 2012, the global retail sports apparel industry has grown rapidly over the last five years and is expected to continue to grow as it reaches approximately $125 billion with a CAGR of 6% over the next five years.

This market growth is driven by factors such as the increase of individual sports, athletic participation, changing lifestyles in emerging economies, continuing growth in awareness for health and fitness, the growing popularity of sports apparel for women as well as the trend towards stylish and comfortable sportswear.

Nike, Adidas and Puma are all brands with a long and rich history of producing sportswear apparel and equipment. They are ranked as the market leaders in sportswear based on their yearly revenue. Altogether they annually account for an estimated annual revenue of $45 billion.

All three companies have different strategies in positioning their brand and therefore have worked with various artists, designers and brands to increase their likability towards the consumer. In this way, one could argue this is an obvious sign that sportswear brands are exploring their potential in the luxury market. To understand what strategy sportswear brands have been applying to enter the luxury market, the three market leaders – Nike, Adidas and Puma – will be analyzed.
4.3 NIKE

Nike Inc. is the world's largest supplier of athletic sportswear and equipment. The company exists out of the following brands: Nike, Converse, Hurley, Jordan Brand, and Nike Golf. Altogether the company had revenue of $24.1 billion in 2012 and was valued at $10.7 billion, making it one of the most valuable brands in the sportswear industry. In the following report only the performance of the Nike brand will be discussed.73

Nike’s footwear segment is the largest, averaging 54.6% of sales over the past ten years, it is followed by apparel (27.5%) and equipment (5.7%). The Nike brand is divided in the following categories of performance wear based on physical activity:

- Nike Athletic Training
- Nike Running
- Nike Basketball
- Nike SB
- Nike Women’s

In 1988, Nike launched the “Just Do It” campaign. The campaign was very successful and the slogan was one of the top slogans of the 20th century being universal and extremely personal. The campaign allowed Nike to further increase its share of the domestic sports-shoe business from 18% - $877 million to 43% - $9.2 billion in ten years time. The campaign was continued and celebrated its 25th anniversary in 2013.

The campaign embodied Nike’s image as being an innovative American icon associated with success through the combination of professional athletes and motivational slogans, emphasizing sportsmanship and health. This led to customers associating their purchase with the prospect of achieving greatness.74

During the late 80’s and early 90’s the sneaker craze hit mainstream America, with Nike dominating the market. To understand Nike’s leading position in this movement, the following needs to be explained first. In 1985, Nike collaborated with American NBA basketballer Michael Jordan and created the revolutionary basketball sneaker called the Air Jordan. The Air Jordan 1 was released in red and black colour way to match the uniform of the Chicago Bulls, the team for which Michael Jordan played. This red and black colour way was prohibited during games and several days after its release, the sneakers were banned during official games.75 Even though it was banned it didn’t hold the consumer from buying the Air Jordan sneaker and it became a sought-after status symbol. The shoes proved so popular by the early 1990’s, as one in every twelve Americans had a pair of Air Jordans.

Until this day, Nike Jordans are still highly sought after and most of the consumers who purchase these sneakers have never even seen Michael Jordan play basketball. Today the Jordan Brand is a sub-brand of Nike Inc. and has an annual revenue of over 1 billion with a market share of 71% in the US basketball shoe market.76

The success of the first collaboration has resulted in a grow in revenue and has popularized Nike’s brand image. Continuing the success model, Nike has enlarged its partnerships with athletes, artists and brands with most resulting in creating a sneaker or sneaker range. These limited edition sneakers can range from €150 up to €10.000. These sneakers are often produced in limited numbers and sold at selected retailers.

4.3.1 COLLABORATIONS

Nike X Liberty London. Nike has teamed up twice with the popular British heritage department store Liberty London, once for the Spring Summer 12 collection and once for the Fall Winter 13 collection. The first collection introduced the consumer to a range of classic-meets-modern footwear and apparel by combining Nike’s innovative technology with Liberty’s trademark floral prints. The second collection was a range of seasonal sneakers created with the psychodelic paisley Bourton print that was originally produced for Liberty’s in the 1960s. The sneakers are a unique mix of street style with classic English heritage.77

Nike X Gyakusou X Jun Takahashi. In 2010, Nike along with Japanese designer Jun Takahashi of UNDERCOVER, formulated the Gyakusou International Running Association: a collection based solely on the needs of contemporary runners. Whether they are casual runners or amateur competitors. The designs of the Gyakusou collections focus on the fundamental needs that many other running apparel and footwear have missed. The line was continued for the next season and has become a fixed collection.78

A.P.C. X Nike. The immensely popular French brand A.P.C. is well known for their collaborations with cool fashion brands and artists. They have created highly sought after collections with brands CarHartt and Eastpak, designers Louis W and Vanessa Seward and one of America’s top Hip Hop artists Kanye West. Nike couldn’t stay behind and together three sneaker ranges have been launched. Within days after the collections had hit stores the sneakers were sold out.79
4.3.2 HTM COLLECTION
Nike’s exclusive HTM collaboration line is created by Mark Parker – Nike’s CEO, Tinker Hatfield – responsible for the Air Max 1 and Hiroshi Fujiwara – cultural consultant. Without any deadlines or budget constraints, these three developed the most innovative and sought-after designs in an organic way. Their designs are inspired by, make use of, and accelerate Nike’s state-of-the-art manufacturing. While the typical Nike sneaker is produced in a volume of 3,000 and distributed globally, HTM models are produced in as few as 60 units and sold at a handful of selected shops and as a result fewer people are involved in each HTM project. For a company as big as Nike to release sneakers, produced in numbers that small has given this collaboration special reaction. Due to its design and production circumstances, the value of the products from this collaboration has skyrocketed.80

4.4 ADIDAS
The Adidas group consists of four different brands: Adidas, Reebok, Taylor Made and Rockport. Adidas is the world’s second largest manufacturer for sportswear apparel and equipment and had a company revenue of $14.5 billion in 2012. In this report only the Adidas brand will be analysed.

The company operates with a multi-brand strategy by providing athletes with the best apparel and equipment as well as offering fashionistas the newest trends. A multi-brand strategy allows Adidas to take up opportunities from several perspectives, as both the mass and niche market player, providing distinct and relevant product. In this way, all brands and sub-brands keep their unique identity.

Adidas is formed out of three different divisions: Adidas Sport Performance, Adidas Originals and Adidas Sports Style.81

SPORT PERFORMANCE
- Adidas by Stella McCartney
- Football
- Basketball
- Golf
- Outdoor
- Running
- Tennis
- Training

STREET
- Originals

4.4.1 SPORT PERFORMANCE
The Adidas Sport Performance division is defined as the “Future of Sportswear” and includes the labels Y-3, Porsche Design Sport and the Adidas NEO label.

October 2002 saw the birth of a new cooperation in sportswear and fashion with the launch of the Spring Summer 2003, Y-3 collection. The Y-3 collection is a partnership with the renowned Japanese menswear designer Yohji Yamamoto. Adidas represents authentic sportswear, while Yohji Yamamoto represents avant-garde design. Together they symbolize craftsmanship with an emphasis on form and movement. The Y-3 collection is a unique combination of the fashion and sportswear industry. Since 2005, Stella McCartney has worked with Adidas to design a collection of high performance sportswear for women across a wide range of disciplines: including, gym, yoga, winter sports, cycling, tennis, swim and surf wear. The sleek cuts, precise lines and glove-like fit of the collection echoes the exceptional feminine tailoring for which Stella McCartney is known.82

When the Olympic games took place in London, in 2012 all the female athletes from the British teams wore designs from the Adidas by Stella McCartney collection.82

Adidas by Stella McCartney is sold by their own flagship store in London and distributed worldwide to sports wear stores and fashion stores.84

4.4.2 STYLE - Y3
The Adidas Sport Style division is defined as the “Future of Sportswear” and includes the labels Y-3, Porsche Design Sport and the Adidas NEO label.
collection stands for a new category within the fashion industry as it combines sportswear with Japanese tailoring and Yamamoto’s design aesthetics.

“My desire was to make sportswear chic. We opened a new market segment, a niche for others to follow,” says Yamamoto. “Even now after all this time, there is an even greater demand for a modern interpretation of sportswear.”

While a utilitarian inspiration is evident throughout each collection, it still possesses a technical feel on an unexpected silhouette to provide contemporary sportswear with a unique look.85

Y-3 will be celebrating its 10-year anniversary and is still growing strong. In the past decade 48 flagship stores have been opened with the strongest growth in the Asian retail market. The brand is also distributed throughout the world to premium retailers.

4.4.3 ORIGINALS

Adidas Originals X Jeremy Scott. The Adidas Originals division brings the iconic DNA from the court to the street. For over a decade, it has been celebrating originality in a globally trend-setting way and has as the first brand been leveraging its sports assets in the lifestyle area. Adidas Originals is regarded as a sport and lifestyle brand.

For the Adidas Original collections Adidas has been working with well-known musicians and fashion designer Jeremy Scott to increase the lifestyle feel of the brand. In June 2008, American designer Jeremy Scott created a collaboration collection of apparel and footwear with Adidas. The eccentric designer made famous creations featuring: wings, handcuffs and tails that were popular with the Hip Hop stars as well as the general fashion consumer. Jeremy Scott continues to collaborate with Adidas.86

Adidas Originals X KzK 84-lab X Marc McNairy. Next to designer Jeremy Scott, Adidas also launched a capsule collection with KzK 84-lab and Mark McNairy. High respected Japanese streetwear designer Kazuki Kuraishi designed a sneaker range called the KzK 84-lab for the Spring Summer 13 season. The collection consisted out of five different sneakers and was sold at selected stores in limited quantities. Kazuki Kuraishi got the opportunity to continue for a second season with Adidas and collaborated with American designer Marc McNairy on a new capsule collection that fused Japanese streetwear with technical sports-focused design. The range included four sneakers in multiple colour ways, as well as t-shirts and an updated take on the classic Adidas tracksuit.87

Adidas Originals X Opening Ceremony. For the London Olympics 2012, Adidas Originals designed a collection with high-fashion and streetwear retailer Opening Ceremony NY. The collection was inspired by the shapes, prints and silhouettes of 90s sportswear. Following the apparel collection they also launched a range of sneakers. Both companies worked together for 4 following seasons.88

4.4.4 COLLABORATIONS

Adidas by Raf Simons. For the Fall Winter 2013 collection Adidas worked together with Belgian designer Raf Simons. Besides his own label, Raf Simons is also known as the creative director of French haute couture house Christian Dior. Together with Adidas, he developed a limited edition sneaker range of five styles available in three colour ways. Each sneaker was designed based on the Adidas high-end performance outdoor running silhouette, the Response and Ozweego models. The Adidas by Raf Simons sneaker collaboration continued and eight new pairs of sneakers were designed for the Spring Summer 2014 collection.89

Adidas by Rick Owens. Another high-fashion team-up is with American designer Rick Owens. For the Spring Summer 14 collection, Rick Owens designed a sneaker called The Adidas by Rick Owens design. Rick Owens design aesthetics is to combine glamour with grunge. Owens was inspired by his own personal desire for a chic sneaker and it resulted in a unisex sneaker with an unusual silhouette. The sneakers range is priced from €400 to €500. So far the collaboration is for a single season. The shoes will be only sold at Rick Owens stores and premium specialty fashion retailers.90

4.5 PUMA

In 2007, French multinational holding company Kering became a shareholder of Puma, having bought 75% of the company. The Kering group is aimed at the luxury market and is owner of luxury brands: Gucci, Saint Laurent Paris, Bottega Veneta, Balenciaga and several others. They are also subsidiaries of British designers Alexander McQueen and Stella McCartney. At the moment their focus is on repositioning their company on the luxury, sport and lifestyle market.91
The Puma Group owns the brands Puma, Cobra Golf and Tretorn. In 2012, they ended the year with a revenue of €2.7 billion. In this report only the Puma brand will be analysed.

For 2014, Puma’s mission is to become the Fastest sports brand in the world. It is an recognition of the endless pursuit of whatever is next in performance innovations, cultural trends, style and fashion. Puma “Faster is more than just delivering the rational benefit of speed to athletes, we will have a single minded purpose of creating faster in every sense of the word, lighter products, better fit for greater agility, enhanced benefits that allow for extended training for speed, and every other possible way we can deliver the fastest products for the fastest performers”.

The Puma brand is divided into two main categories with several sub-divisions: Sports and Lifestyle.92

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4.5.1 BLACK LABELS

Since the acquisition by Kering, Puma has been establishing collaborations with several designers connected to Kering. Black labels is formed by three permanent collections with high-fashion designers. Black Labels blends Puma’s lifestyle philosophy with the visions of designers: Hussein Chayalan, Alexander McQueen and Mihara Yasuhiro.93

Puma X Alexander McQueen

The house that Alexander McQueen built abides by tailoring codes, but disobeys social conventions. Alexander McQueen was one of the most creative minds in fashion and his collaboration with PUMA makes his work accessible to a broad consumer. The collaboration will connect PUMA with the most front-end fashion innovators and take the concept of sport-fashion to the next level. Known for his ability to juxtapose influences, the fusing of sport and fashion was Alexander McQueen’s challenge, his response is an unexpected collection that is based on the union of tradition and technology.94

Puma X Mihara Yasuhiro

Quirky king of avant-garde sneakers, Japanese fashion designer Mihara Yasuhiro gets his kicks by challenging the boundaries of sport and fashion. By the late 90s, he had established himself as a footwear force with his muted, monochromatic, and distinctly urban styles. He soon entered the apparel market, and started his successful partnership with PUMA in 2000.

Puma X Hussein Chayalan

Hussein Chayalan is the creative director of Puma and known for his geometric forms in his designs. In October 2008, Hussein presented his Inertia collection. It broke new creative ground with its molded latex garments. They encapsulated movement to make a statement about the “speed of our lives.” This statement is a common thread throughout his PUMA collections; he wields his precision of approach with PUMA's playfulness and explores motion on new levels.95

4.6 CONCLUSION

Despite the worldwide recession, there are still markets experiencing strong economic growth, resulting in new consumers for luxury goods. Though, globally the luxury market still faced problems due to strained consumer spending. Luxury brands had to reach a broader consumer group and restructuring of the company’s vision was needed. Cheaper product line introductions and while some implementing this strategy was extremely successful, others failed to create an affordable product without damaging the brand's image.

To continue, there has been a visible move of sports apparel out of the sportswear context into fashionable streetwear and sportswear’s visibility in luxury online stores has been increasing. Major sportswear brands are responding to this shift by slowly exploring the opportunities in the fashion industry. Nike, Adidas and Puma all apply different company strategies in order to achieve this movement and every brand is positioning their products differently.

Below is summed up how each brand is operating:

Nike

Nike’s business is focused on the design, development and marketing of footwear, apparel, and equipment. For a while Nike has been collaborating with edgy brands, often related to the streetwear culture and also high-fashion department stores. In addition, these Nike products have become a luxury product, as they are only produced in limited amounts and therefore not available to every consumer. By creating a certain exclusivity around its special edition products, Nike is slowly entering the luxury market.

Adidas

After the successful release of the Y-3 brand in collaboration with avant-garde Japanese designer Yohji Yamamoto, it has become clear that Adidas wants to continue to win market share in the high-fashion market. Adidas has continued to partner up with high-fashion designers such as: Raf Simons and Stella McCartney, who are almost all leading Europe’s most oldest, oldest and most famous couture houses. By establishing new sub-brands as well as launching seasonal collaborations, Adidas is applying a clear strategy to pursue success in the high-end fashion industry.

Puma

Since Puma’s acquisition by Kering holdings, the brand has undergone several changes to connect the brand with the high-fashion industry. Kering holdings added Puma to their brand portfolio to increase its luxury, sport and lifestyle position in the fashion industry. Kering has an impressive brand portfolio containing several of the world’s most famous brands including: Gucci, Bottega Veneta, Saint Laurent Paris and Alexander McQueen. In this context, one could argue that Puma has opted for designer collaborations with its Black Label as a strategic move to enhance its luxurious brand image in relation to Kering.

All three the sportswear brands have been releasing specially designed products and collaborated products that are produced in limited numbers. These products often have a strict distribution channel and are only sold at premium-selected retailers.

Sportswear brands are offering products at a lower price level than luxury brands and reaching a broader target group, without devaluing the products image. This gives sportswear products a unique position in the luxury fashion industry.
Like every other industry, the global retail industry is coping with the weak economy. Fortunately, the unemployment rate has started to decline and the consumer’s confidence is rising. Though, consumer spending is still strained and the luxury industry has felt it. The luxury retail industry has become saturated and retail stores are forced to make their store more attractive in order to retain the consumer’s attention. Thus the retail environment needs to become the ultimate experience for the consumer.

Both physical and online stores in the luxury markets have continued to innovate. In order to see where the opportunities are for sportswear in the luxury retail industry, a close look is taken into both markets and what developments are stimulating the growth. Several department stores and online boutiques will be analysed. Due to the young nature of the online market, the chosen online boutiques have been given a more elaborate study.
5.1 DIGITAL DEVELOPMENTS & DIGITAL PRESENCE

In 2012, British brand Burberry opened its largest London flagship store on Regent Street. The store is a multi-media experience combining the brands physical and digital achievements. It brings the digital world to life in a physical space, where consumers can experience every part of the brand through immersive multimedia content, exactly as they do online. It is as if the consumer has walked into the online store.35

One of the technologies they use is the radio-frequency identification chip. The chips have been placed in common areas or fitting rooms. Specific content concerning a product, for example information about the stitching and craftsmanship of a bag or a video showing how a skirt was styled on the catwalk, will appear. As the chips are attached to the products before leaving manufacturing centres, they also function as an inventory tracking and management device.36

The digital presence of physical stores is increasing to great extents. As online becomes an increasingly valuable component to achieve sales, retailers will begin to invest more in their online business. Moreover, the line between online sale and a brick-and-mortar sale will become more blurred as retailers integrate physical and virtual capabilities into its sales strategy. This will make it even more challenging for department stores to make their real estate investment decisions, to effectively allocate investment capital and to make the most efficient use of their marketing budget.

Stores that focus on seamlessly integrating their in-store and online shopping experiences will drive larger sales growth and profitability than those that view online as a separate division. Retailers that provide strong smartphone and tablet apps, as well as digital capabilities in their stores such as remote check out or the ability for in-store customers to see if an out-of-stock item is available online will gain store traffic and sales. Nonetheless, it critical for retailers to focus on their branding and store experience, the customer impression in the store will drive traffic to the website and a strong experience online will drive traffic into the stores.37

Another great example of the future of retailing is Australian store Sneakerboy. In fall 2013, the footwear store opened in Melbourne, Australia. With a store size of only 80 square meters, Sneakerboy is a combination between a “bricks and mortar” and online store. The store sells sneakers of high-fashion designers such as Rick Owens, Lanvin, Y-3, Giuseppe Zanotti and Balmain among others with prices ranging between $150 AUD to $3000 AUD. Unlike most stores, there are no price tags on the merchandise. Instead customers tune in on their phones or iPads in store to find the price, size and availability. In this way they can explore the stock and make their purchase. After payment the shoes will be delivered to the customer within three days. All sneakers are shipped from a warehouse located in Hong Kong, so there is no need for a stockroom in the store.38

Additionally, development will be taken to the next level with the launch of Apple’s iBeacon application. When the consumer has installed iBeacon as an application, it will show location specific information such as exclusive deals, discounts, recommendations and rewards when entering a store.

The iBeacon will be tested in 245 Apple stores in the US and America’s oldest department store Macy’s will be the first fashion store to run pilot tests of the iBeacon in its New York and San Francisco’s stores. If the iBeacon is proven successful Apple can even develop and implement payment methods via this application.44,103

Ultimately, these combinations of integrating offline with online retail are new approaches of maximizing retail opportunities and pushing sales.

5.2 SPORTSWEAR IN DEPARTMENT STORES

While sportswear is present in most of the world’s department store, the position they are placed at is still in the sportswear department. In most of the luxury department stores foot-wear is the only category sold of sportswear brands. Most sportswear brands sold at department stores are the regular sports lines and only a small number of department stores are offering the specialty lines (Y-3) of sportswear brands.102 At some famous departments stores sportswear is not even in the assortment.

However, sportswear lines of fashion brands have a strong position in departments stores. Many department stores have the affordable sports collections in its assortment and these collections have a high availability.

Of all department stores, Liberty London is the only store to collaborate several times with a sportswear brand. Liberty London and Nike have merged influences of both and created popular range of women’s trainers.

5.3 ONLINE MARKET

The Internet has become the primary search and purchase environment for many consumers, including the wealthy and super-rich. Additionally, millions of consumers discuss luxury brands and products in social media communications such as Facebook and Twitter. Luxury brands are presented online by numerous third party information sources (blogs, Facebook, Twitter), even without following an explicit online strategy. As the internet is based on principles of ubiquity and democracy, the key characteristics of luxury brands – exclusivity and limited accessibility – seem at stake.

More and more consumers are using smartphones, tablets and other mobile devices to make purchases. Consumers are browsing in stores but using their smartphones to check your competitor’s prices. Retailers say determining how to best take advantage of this technology is a tricky puzzle they must solve. Consequently, online sales continues to grow faster than the rest of the market, turning in 28% of annual growth for the past year and reaching close to 10 billion euros. This is nearly five percent of the total luxury market and larger than the total revenue of for example Germany’s luxury market. In online sales shoes are the top-performing category. At this point of online penetration, brands
have to treat their online channel as a seamless part of their overall retail strategy, rather than an incidental source of additional revenue.\(^\text{103}\)

Recent research has proven that the apparel product category is the most bought in the online B2C market. The apparel industry has become one of the fastest growing segments in e-commerce. This is due to fast technological developments such as shopping tools, free shipping and flexible or free returns. Websites have improved how they present their merchandise by offering the ability to see it in multiple views, in different colours and to zoom in on the fabric. Customer reviews provide helpful insights in how the product compares to its online display, as well as how the product fits, the quality of the fabric and its durability.\(^\text{104}\)

5.4 ONLINE LUXURY STORES

In the past decade more and more online multi-brand luxury boutiques have been established. This chapter will analyse three leading online luxury stores, which are already selling sportswear brands, to understand how sportswear is positioned in the online industry.

The first two luxury online stores are both part of the Net-a-Porter emporium, and have been selected for their fast growth. The last online boutique is selected for its renowned reputation in selling high-end street wear.

5.4.1 NET-A-PORTER.COM

Net-a-Porter.com Net-A-Porter was established in 2000 by Natalie Massenet. They call themselves: "The World's Premier Online Luxury Fashion Destination". Stocking over 350 designer brands, Net-A-Porter is one of the world's largest leading online boutique. Last year it had a total revenue of 386 pounds and is valued close to 520 million dollars. All products are shipped to the customer in a black box with a ribbon around it.

Net-a-Porter.com sells a small selection of sportswear brands including of Adidas and Stella McCartney. Although the product offerings of these sportswear brands is modest at this online boutique, there are a lot of sportswear inspired styles that reflect the current sportswear trend. In its weekly online magazine 'The Edit' sportswear is a recurring theme in its editorials.\(^\text{105}\)

Net-a-Porter will be focusing on its Asia Pacific region and in 2012, Net-A-Porter acquired the China based members-only e-tailer Shouke.com. Following they have launched a Chinese version of its The Outnet. In 2013 a new distribution center was opened in Hong Kong to cut down on delivery times in the Asia-Pacific region. The plan is to offer same-day delivery service in Hong Kong and next-day shipping service to major cities in Australia soon.\(^\text{106}\)

Following the success of Net-a-Porter a male version of the retail concept was launched called Mr Porter. In the last years Mr.Porter has established itself as the premier online retail destination for men's style. Editorial content sits alongside the latest products from more than 170 of the world's leading designers including, Gucci, Givenchy, Burberry, Lanvin, Alexander McQueen as well as specialist brands.

Mr Porter has 16 million unique visitors per month and delivers to more than 170 countries worldwide.

Mr Porter sells a small collection of sportswear brands including New Balance, Nike and Nike x Undercover. Striking is that Adidas is not mentioned in the brand list, whilst the sneakers in collaboration with Raf Simons are being sold on the website.

In addition to a wide range of products, Mr. Porter also offers style advice and produces a weekly online magazine 'The Journal'. Besides interviews with athletes and information concerning sport events, the boutique also dedicates editorials to the active sport lifestyle and provides consumers with a selection of products suited for certain activities.\(^\text{107}\)

The vision of both Net-a-Porter and Mr. Porter is, to look the best at every occasion by dressing in only the best. This indicates they offer a carefully selected range of products targeted at consumers who want high-quality products. Presenting yourself at your best does not only concern to styling yourself but is also related to how you feel physically. People understand that working-out has great benefits for appearance, but also for health. Being active has become an immensely important part of people's lifestyle and that is reflected back in the product category of Net-a-Porter and Mr. Porter.

Net-a-Porter is introducing women to sportswear by offering premium lines of sportswear brands such as the Adidas by Stella McCartney collection. They also communicate the sportswear style to the women as a chic fashion statement, by combining comfort with luxury.

Mr Porter is all about gentlemen's grooming and...
lifestyle. The brand communicates from the oldest men’s esthetic. This can be seen by the way the store is sorting items under categories of older sports activities as skiing, shooting and sailing.

The Net-a-Porter Group provides same-day delivery in London, UK and in the Hamptons, USA. All packages are delivered without shipping costs and if the product does not suit the return and exchanges will also be picked up for free.

5.4.2 OKI-NI.COM

Oki-ni.com is an online luxury boutique based in London, founded in 2001 by Charles Perez and Ben Banks. Oki-Ni is famous for its highly curated selection of menswear ranging from famous luxury brands such as Maison Martin Margiela, Rick Owens, Kenzo, Raf Simons to sportswear brands as Nike, Adidas, New Balance and contemporary brands like Brooklyn We Go Hard, Barbour, Paul Smith, Our Legacy. It is the perfect example of an online boutique combining streetwear with high-fashion. The website attracts over 500,000 unique visitors per month and ships to over 75 countries. 40% of its sales comes from the UK, followed by revenue from the US, Japan and Germany.

Taking sportswear into streetwear, Oki-Ni proves that sportswear is not just a short-lived trend but also a lifestyle. The sportswear element is deeply integrated in the core of the company and reflected throughout all its operations.

Oki-Ni is known for its collaborations with many fashion and sportswear brands. Ranging from partnerships with young small labels to brands, which have existed for quite a while, Oki-Ni offers sub-collections of six sportswear brands with a strong focus on collaborative styles.

Another interesting development is that Oki-Ni started to collaborate with sportswear brands themselves to create a unique collection. By taking over the role of designer, the luxury boutique cannot only create unique styles that perfectly fit their consumers but also has the advantage of selling the collaborated collections exclusively in their own store.108

5.5 CONCLUSION

As consumers have entered a new era of online experience, this is heavily reflected on the strategies of fashion retailers. Both physical and online stores have linked the traditional retail channel with the digital retail channel. Physical stores are using innovative technologies to invent new ways of enhancing the retail experience for the consumer. By adding digital gadgets in-store to help consumers with purchasing decisions, retailers are extending their service. In the past luxury retailers were hesitant to step into the online world, as they assumed physical stores were crucial to the luxury experience. Today however, online luxury boutiques are thriving.

With the global world going digital, the online market has been flourishing. The e-commerce luxury market has increased with a rapid speed and revenues of online luxury boutiques have sky-rocketed.

The experience of a luxury brand and purchasing a luxury product cannot only be achieved by shopping in physical stores. Online stores have created a shopping experience in which the standard brick-and-mortar store is no longer irreplaceable. For consumers who aren’t able to shop due to time frame, online luxury stores can offer a solution. Factors as additional services such as same-day deliveries are increasing the popularity of online shopping.

Both larger physical and online luxury boutiques have sportswear brands in the assortment and in overall sportswear brands have a small position in both retail channels, being offered as garments for physical activity. However, several menswear boutiques have been merging luxury fashion brands with sportswear brands and renaming them as high-end streetwear stores.

Nonetheless, the opportunities and growth lies with the online retail industry. In comparison to the offline retail industry the growth forecasted for the e-commerce market is far greater. In addition, the online retailers have the possibilities to position sportswear brands to a larger consumer group while physical stores might only reach a nationwide consumer group.
Throughout the years, there has been a change in the mindset of the modern consumer. People aim to live healthier and have a better lifestyle and this has resulted in an increase in popularity of sportswear brands. While sportswear brands were first only worn for physical activity, the modern consumer began wearing sportswear as daily casual wear. The consumer has changed the position of sportswear brands into lifestyle brands, by rebranding sports apparel to fashion apparel. Sportswear has become cool.

Fashion retailers have slowly been picking up this trend and began selling sportswear as fashion products. Sportswear brands grasped this opportunity by creating special collections and sub-brands to increase its fashion appeal. This is a direct and clear approach of major sportswear brands to enter the high-fashion market. The key elements that separate sportswear brands from regular fashion brands are the rich history and original purpose of the products, always for the athletic enhancements. Sportswear brands are slowly putting their footprint in the high-fashion market.

Despite restraints of consumer spending during the past few years, the luxury industry has continued to grow. Luxury brands have re-structured their marketing and operations to generate visibility and thereby widening the target group. Lower priced collections are developed that are obtainable for a broader consumer group, as they allow consumers to access a brand that they normally could or would not purchase. Leading sportswear brands Nike, Adidas and Puma have created a strong and special position for its products in order to compete with luxury brands. Although limited edition products of sportswear brands are higher priced than regular sportswear products, the price level is often more accessible than ready-to-wear lines of luxury brands. Although these sportswear products are accessible to a wide audience, they are considered to be premium luxury products like designer items. With the limited numbers and high consumer demand, the same feeling of exclusivity is being created. In this way, one could conclude that – when guarantee with the right circumstances – there is a definite viability for sportswear brands in the luxury market.
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APPENDIX A:
INTERVIEW WITH CHITRA V/D ZON
Assistant buyer mens and womens footwear at Zalando
Has researched developments in the landscape of high-end menswear.

How do you see the modern day relation between sportswear and fashion?

I think that there is something very interesting going on between sportswear and fashion. There is a certain chemistry between the two, which on the first sight may seem far from logical. For a long time, sportswear has always been something that was only about practicality and functionality. It had nothing to do with fashion. What is happening nowadays is that sportswear has become a fashion statement and is being worn in day to day life. Running shoes are no longer solely worn as active or leisure wear, but embraced as true fashion items. Combining it with crisp suits and skirts or dresses, active footwear has been lifted to a different level. This is something completely different than – or perhaps the opposite of – its original purpose. I know for a fact that nike, for example, refuses to see itself as a fashion brand. Throughout all its brand communication, it emphasizes the athletic nature of its business. Nonetheless, there’s no denying that nike footwear has dominated street fashion for the last few seasons. From world’s leading innovator in athletic footwear, they have also gained a spot in the fashion industry. I believe that is a very interesting development.

In addition, I also see that within Zalando there has been special attention for sportswear. Next to our men and womenswear departments, we have also opened a separate buying department for sportswear brands. The footwear of these brands are so-called ‘lifestyle brands’. These include Nike, Adidas, new balance. Just to name a few.

How do men and women look at sports brands?

In general, buying for men and women is different. Men and women are different consumers in my eyes. They buy their clothing in a different way and also perceive fashion differently. Whilst for women the sportswear element perhaps seems to be just another fashion trend, for men I believe it has a deeper [cultural] meaning. With the growing emphasis on self-expression and aesthetics in contemporary culture, I believe there has been a change in how men modern men are allowed to construct their identity and use fashion. Being less concerned with aesthetics and more aware of aesthetic, there is a culture and understanding of sophisticated fashion in the male zeitgeist.

What I see now, is a very interesting twist on sportswear that is available in menswear. Sportswear has always been an important part of menswear. Therefore, it offers modern day men an easy and natural way to ease into fashion, without getting too much out of their comfort zone. As the sportswear element can easily be integrated, I believe it suggests longevity and viability of sportswear in the male fashion market.
APPENDIX B:

POSITION OF SPORTSWEAR BRANDS IN LUXURY DEPARTMENT STORES

Harvey Nichols UK, opened in 1831. Recognised as the UK’s premier luxury fashion retailer and is internationally renowned for its expertly edited fashion.

Selling sportswear brands? No.
www.harveynichols.com

Barneys US, opened in 1923. It is emporium of style and gorgeous products.

Selling sportswear brands: Adidas Y-3 (apparel), Adidas (footwear), Nike (footwear) and Puma (footwear)
Assortment category: Sportswear

Lane Crawford HK, opened in 1850, Lane Crawford evolved from a department store to a fashion and lifestyle specialist.

Selling sportswear brands: Nike (apparel), Adidas Footwear, Puma (footwear).
Assortment category: Sportswear
www.lanecrawford.com

David Jones AUS, opened in 1838, largest department chain in Australia.

Selling sportswear brands: Adidas (apparel and accessories), Puma (apparel), New Balance (footwear).
Assortment category: Sportswear
www.davidjones.com

Galeries Lafayette FR, opened in 1895, offering a French vision of stylish lifestyle.

Selling sportswear brands? No.
www.galerieslafayette.com