



Brazil Sporting Goods Market Development and Business Opportunities

Mr. Howard Wu

Assistant researcher
Market Research Department, TAITRA

Some people say that Brazilians are lazy. But, once you visit Brazil, you find the opposite. The truth is beyond description to depict how much Brazilians love sports! On many beaches at Rio de Janeiro, we see not only the seemingly-passionate bikini girls but also all kinds of sports lovers, such as beach volleyball players, soccer players, swimmers, joggers, and cyclists. The air is filled with sportive rhythms and tempos. It is hard not to move with them. According to 2012 investigation by the British Tourism Bureau, in Brazilians' values of life, to keep fit and slim is very important, only next to career and learning. No wonder there is always insufficient negative films to take pictures of Brazilian slim girls.

There is nearly 200 million of population in Brazil, the fifth largest country in the world. Additionally, because the structure of Brazilian population is young, the sporting goods market is predictably immerse. According to the statistics done by Euromonitor, a marketing survey institute, in 2010 the market value of Brazilian sporting goods already reached 6 billion US dollars. As estimated, in 2014, it will grow up to 8.4 billion US dollars. From the statistics of Brazilian Custom, the import value of toys, game and sporting goods (HS Code95) from January to September has already reached 521 million US dollars. Compared with the same period of 2010, the growth rate is 34.56%. Among the sporting goods, fitness, sports shoes, sports or outdoor-game equipments and balls are the major four importing sporting products. The market growing potential has caught huge attention of international enterprises. Taiwan, as the major sporting goods supplier, indeed shall not be absent in Brazil.

At present, Taiwan is the second largest import country, next to China; America is ranked as the third. Apart from low-pricing strategy of Chinese companies, a great number of Taiwanese fitness manufacturers established factories in China, taking orders in Taiwan and exporting from the mainland China. Therefore in 2007, China overtook America and takes the leading position in supplying fitness

equipments. In the aspects of sports shoes, there is a high market share of Brazil-made shoes. The reason is that many Brazilian shoes producers used to international OEM. Thus they have solid base to produce good shoes. The well-known slipper brand from Brazil, Havaianas, sells well internationally. The quality wins international credibility. Nevertheless, in the recent years, the labor cost has been soaring and additionally, Brazilian Real's appreciation, the export competitiveness declines. Therefore, numerous Brazilian shoe companies, like many other Taiwanese manufacturers, started to look for alternative production sites in China. As a result, the shoe-producing professionals also gradually moved to Dongguan. According to the official statistics of China, there are more than 3000 Brazilians working at Chinese shoe industry, mainly in charge of shoe design and quality control. As to balls, China, Pakistan, and Vietnam are the main three supplying countries. As a matter of fact, Taiwan-made ball products cannot be competitive in terms of price. However, there is large room for Taiwan's sport protection suppliers. Taiwanese sport protection manufacturers have high-tech capability of research and development. In the future, the design of sport protection will be ergonomic infusion with electronic technology. As predicted, this type of sport protection will be much favorable and appealing to Brazilian consumers. Thus, there is a huge potential business in Brazilian market.

Brazilian soccer teams are worldly known. Because playing soccer is not restricted by space and equipments, it goes well with Latin people with active and sportive nature. Particularly in Brazil, people love playing soccer. Brazil is even reputed as Kingdom of Soccer. Soccer for Brazilians is not only a sport but also a social activity. In the educational system from elementary school to university, Brazilians averagely have half-day courses. After school, playing soccer has becomes the best way for teenagers and young people to evolve into the society. The better one plays, the more popular one becomes in the campus. Therefore, we often see young people practice playing different soccer skills and seem never tired of it!

Soccer is so popular that all professional soccer associations and clubs have been established. These clubs regularly hold amateur games. In order to develop soccer sports systematically, in 1914, Brazilian government established Confederação Brasileira de Futebol (CBF), that is, Brazilian Federation of Football. And in 1971, CBF started to organize national series matches. Among the matches, Campeonato Brasileiro Série A (Brazilian Championship A) is the highest-level professional soccer game. Now, there are 20 soccer teams. Numerous soccer associations or clubs even have their own soccer fields. Their venue mainly comes from the fees of TV broadcast rights as well as corporate sponsorship. The most famous soccer club, Flamengo, and the famous soccer player, Gaúcho Ronaldinho, is a beloved soccer star by all Brazilians. His soccer t-shirt is still the most popular sport products.

At present there are more than 20,000 national-level soccer players in Brazil. In the past, most Brazilian soccer players dreamed and strived to play for European soccer teams because of high pay. As a result, few professional players chose to stay in Brazilian teams. And many European soccer fans have been overwhelmed by Brazilian samba-style of playing soccer. Many sport marketing companies even make huge profit simply by buying and selling soccer players. However, after 2008 financial storms, the European economy also declines. The revenue of European clubs was not as good as expected. And nowadays, Brazilian economy takes off. Many Brazilian local soccer clubs are able to pay higher and higher salary. Gradually many players at foreign teams are drawn back. According to the statistics of Prime Time Sport, in 2010 the total payment for Brazilian soccer players grew 63% and in Europe the sum dropped 29%. Plus the factors of Brazilian Professional Soccer League Reform and of 2014 World FIFA Cup in Brazil, these reasons make Brazil very attractive for professional players. This attraction not only stimulates more Brazilian players to go back but also boost the development of local professional soccer games. Furthermore, there will be more market demand of soccer balls and related sport products. For examples, in the area of Sao Paulo soccer and soccer-related products are extremely popular. The t-shirts printed with famous soccer players sell so well that Brazilian customers need to queue up. After 2010 FIFA World Cup in South Africa, 600,000 official soccer balls, designed by Adidas and printed with Jabulani, were sold out in Brazil.



Besides, the number of Brazilians who play basketball also grows very fast. Right now several basketball players already play at American National Basketball Association (NBA). Besides, Brazilian National Basketball Team defeated the strong Argentinean team at the Central and Southern Basketball Championship. The whole nation is jubilant and basketball has attracted a lot of young players. Therefore, basketball vest, shorts, basketball shoes already become very fashionable. In Brazilian basketball market, NIKE and Adidas are the key players. Both cast great marketing expense in the Brazilian market in order to create quality image in Brazilians' mind. NIKE even sponsors Brazilian National Basketball team so as to enhance more recognition. Though the market selling price remains high, NIKE regularly provides discounts or on-promotion products to attract locals. Successfully, its market share still remains high.

Apart from different-ball sports, many Brazilians also love swimming. Because Brazil has the continental climate, the raining season is very short and it is very dry there. Therefore, Brazilians catch very chance to go swimming at the pool or in the sea. Reasonably, these water activities lead to high demand of swimming suits, beach shorts and bikini. Besides, in 2008 Brazilian swimmer won the golden medal in the 50-meter free-style swimming match in 2008 Beijing Olympic Games. That was the 1st swimming golden medal in the Olympic Games for Brazil. The Brazilian swimming champion, Mr. Cesar Cielo Filho, has been regarded as the national hero. Moreover, swimming has been even more popular.

The largest swimming brand in Brazil is Speedo. The market share is more than 50%. And the brand was already sold to the local company Multisport. In all there are 3 stores in Sao Paulo. At these shops the swimming products are all made in Brazil. Customers could find all kinds of swimming products. The major strength relies on functional-textile swimming suits. These products are from Brazil local manufacturers so as to reduce custom tax. As to other low value-added products such as goggles and windproof jackets, etc., they are imported



from China. As to the 2nd or 3rd small cities, Speedo relies on distributors to expand their market. Because the swimming product market is getting more mature in Brazil, and the market threshold is low, there are more competitors. Among them, NIKE and Addidas are potent. As seen, small brands has also come up in the market. Thus, the three shops of Speedo in Sao Paulo have reduced prices so as to respond to the fierce market competition.

Regarding to fitness products, now there are about 9000 fitness clubs in Brazil. The club members are about 32,350,000. The market size of 2010 is about 1.5 billion BRL dollars, that is, 850 million US dollars. Moreover, though Brazilians often eat a lot, they also care about their figure. Thus, going to the fitness club is an important thing in their life. Particularly the consumers from 25 to 40 years old start to jog. And Brazilian largest sport brand distributor, Centauro, also regards running shoes as the top promotional product.

The cycling market in Brazil shall not be ignored. For the poor families, bicycles are the most important transportation tool. But for the middle- class or rich families, bicycle is taken as sport and leisure product. Initially estimated, there are about 60 million families in Brazil. Thus the market size of bicycles at least is about 60 millions. But the Brazilian bicycle market is very competitive. There are numerous brands. The major market channels are shopping malls and bicycle shops.



Usually the average ones are sold at shopping malls. Bicycle shops sell and specializes high-end bicycles for high-income and professional players. In Brazil there are many bicycles assembly factories because of the low capacity of bicycle manufacturing power. The import value of bicycle part is high. It is the common practice to import bicycle parts and assemble them locally. For Taiwan's bicycle manufacturers there is a great business potential there.

Worth mentioning, Brazil already earned the hosting right of 2014 FIFA World Cup and 2016 Olympic Games. These two international sport events undoubtedly stimulate the immense local sporting goods market. Responding to these major sport events, the Brazilian government has already invested into the training of its national sports team. Thus, as predicted, there will be great business opportunities for high-end sport training equipment designed with high-tech devices. Estimated the business value could be more than 2 billion BRL dollars, that is, more than 1 billion US dollars. China has dispatched a group of sport coaches to talk with Brazilian Ministry of Sport about training and business cooperation.

As to Taiwan's involvement at international sport events, Taiwanese sporting goods manufacturers in the past played

the role as OEM of international sport brands, such as NIKE, Adidas and Spalding. These brands always cast a great amount of sponsorship in the events. In other words, Taiwan acts as the support force behind the curtain. Apart from OEM, some Taiwanese companies also strive to create their own brands abroad, for examples, Giant, Merida as well as Pro Kennex, etc. These brands have reached their publicity and popularity in the international markets. Many professional athletes chose the Taiwan-Made bicycle and tennis rackets. These are all successful cases. The key to their success is the carbon textile application and marketing promotion. The application technology of carbon textile has become mature. In the early phase carbon textile was mainly used in the aerospace industry. The advantages of this material are not only its long-time usage but also the lightness. It helps increase sports performances. Thus it is deeply favored by professional athletes. Therefore, when carbon textiles are applied in tennis rackets and bicycles, their performances and evaluation are highly appraised. No doubt, this is a huge jump for many Taiwanese companies to enhance the international competitiveness. And these are the best examples that innovative or advanced technology enhances Taiwan's industries.

In terms of international marketing, it is necessary for sport brands to do it. In the past, the European and American sport brands gained their most publicity and interests by sponsoring professional sport players or sport events. The four main professional sport events in America, NIKE is the largest sponsor. Adidas is even a cooperative partner of FIFA. In its international games, Adidas has its exclusive marketing power. Other competitors almost have no chance to overtake it. Nevertheless, the amount of money to sponsor major sport event is extremely enormous. Sometimes it might reach hundred millions of US dollars. Many products of Taiwan's sport brands are rather professional, different from the ordinary sporting goods for the public. We need to think over this strategy to cast huge amounts of money into FIFA or the Olympic Games. There is another way worth considering, that is, Taiwanese brands sponsor small-sized but professional sport clubs or games. This way usually provides direct and efficient interaction with the target-sport groups so as to reach notable impacts.

Immersing in the pre-game atmosphere of FIFA and Olympic Games, Brazilian immense sporting goods market is attractive. According to the history, every FIFA or Olympic Games, the sales records were always astonishing. Taiwan shall really take the initiative to enter Brazilian market though there are full of difficulties to enter its market, apart from custom barriers. For protecting domestic industries, the Brazilian government announced to reduce tax of the major four labor-intensive industries by the early August this year. In the government's procurement, domestic companies are given 25% discount, including furniture, textile, shoe making and software, etc. The policy "Buying Brazilian Products" has become the major policy. Particularly in September of 2011 the Central Bank lowered the interest rate. As predicted, BRL will be depreciated. It is disadvantageous for importers. Viewing the current conditions, it is very challenging to enter Brazilian sporting goods market. However, once there are appropriate distributors, there are still great business chances. The great number of Brazilian population, in the 2nd or 3rd cities, there is a great room to explore and to develop. As long as the profit share is reasonable, Taiwan sporting goods manufacturers will find ways ahead. I wish TSMA members will have great success in 2012 in Brazil.

