

# TRIBES, LOST NO MORE





**SMALL,  
PASSIONATE  
GROUPS OF SPECIALTY  
SPORTS ENTHUSIASTS  
ARE DRIVING INCREDIBLE  
INNOVATION—AND INVESTOR  
OPPORTUNITY**

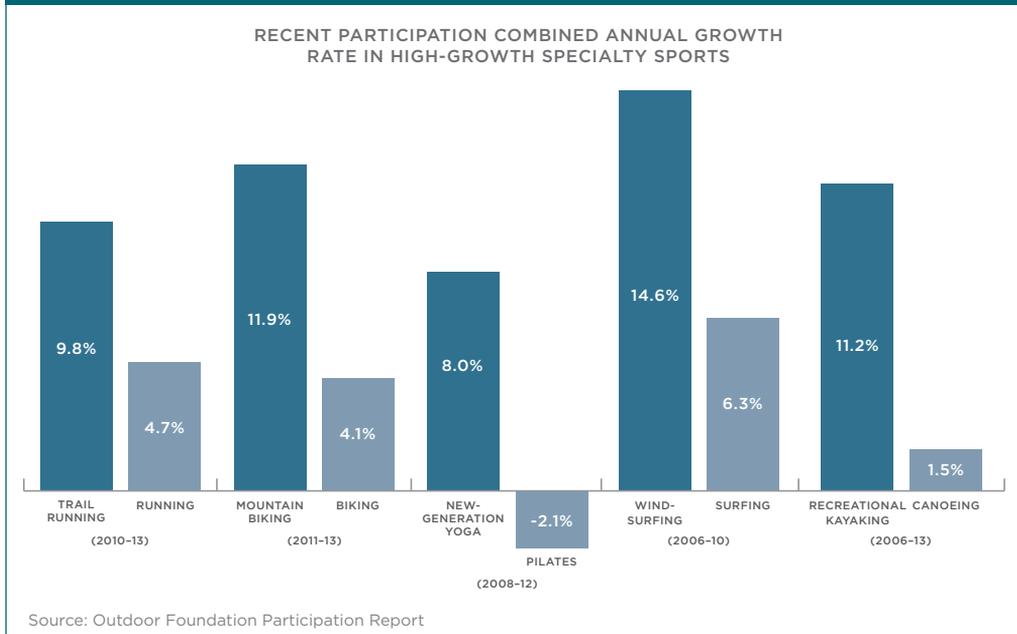
Within every massive consumer industry, there are smaller pockets of specialty consumer segments with their own unique set of needs and wants. These emerging subgroups continue to push beyond the mainstream and ultimately drive new innovation and fuel broader industry growth. The sporting goods world is no exception.

For example, even though the outside world may beg to differ, trail runners don't consider themselves mere runners. In fact, trail

runners see themselves as a different breed, with special organizations, competitions, equipment and publications. The way they see it, they are worlds apart from the sad souls slogging away on treadmills.

This identity shift is happening across the sports world. "Tribes" of loyal participants are helping draw focus to small but growing specialty offshoots of mainstream sports. Some of these offshoots will gain national awareness and become The Next Big Thing.

**EXHIBIT 1: Hot specialty sports are seeing double-digit growth.**



## EXHIBIT 2: Specialty sports investments are exploding.

TARGET	RELEVANT SPORT	INVESTOR	DATE
Hoka One One	Trail Running	Deckers (strategic)	April 2013
RaceReady	Trail Running	Ohayo Sangyo	August 2011
ONE Industries	Mountain Biking	Transom Capital Group	July 2013
CamelBak	Mountain Biking & Trail Running	Compass Diversified Holdings	August 2011
YogaWorks	Yoga	Great Hill Partners	July 2014
CorePower Yoga	Yoga	Catterton Partners	July 2013
Boards & More	Surf & Paddle	EMERAM Capital Partners	November 2013
Becker Surf & Sport	Surf & Paddle	Billabong (strategic)	May 2010
Confluence Watersports	Kayaking	JH Whitney	April 2014
Emotion Kayaks	Kayaking	Lifetime Products (strategic)	November 2011

Since 2010, the U.S. exercising population has been growing at a faster annual rate than gym membership enrollment, meaning Americans have been increasingly turning to other forms of exercise. But participation in traditional sporting activities has grown slowly—if at all—with sports like Pilates, surfing and canoeing all declining.<sup>i</sup>

Instead, people have increasingly shifted to specialty sports, drawn by their unique challenges and strong community of enthusiasts.

These developing markets have high upside potential. Not only have they been growing rapidly in recent years, but innovation within the segment, combined with growing awareness, is likely to continue that positive trend.

Many of these alternative sports are creating new markets where the opportunity to become the market leader is anyone's game, attainable with the proper investment and short-term strategy. These industries will also have significant opportunity to grow sales via alternative channels.

**EXHIBIT 3: The next wave of specialty sports represents significant opportunity.**

GENERATION 1	RUNNING	CYCLING	PILATES	SURFING	CANOEING
GENERATION 2	TRAIL RUNNING	MOUNTAIN BIKING	NEW-GENERATION YOGA	WINDSURFING	RECREATIONAL KAYAKING
GENERATION 3	FASTPACKING	FAT BIKING	BARRE (BALLET INSPIRED)	KITESURFING	STAND-UP PADDLE BOARDING

In recent years, a variety of specialty sports—trail running, mountain biking, recreational kayaking and more—have experienced high-growth periods, as illustrated in Exhibit 1.

These sports have also recently seen a flurry of investments from both private equity and strategic firms, as shown in Exhibit 2.

While the window to invest in these specific sports before they hit the mainstream market may be closing, new emerging sports continue to pop up across the United States. With the proper investment, promotion and a little bit of luck, these alternative sports could become the next big trend.

We've identified five such promising specialty sports—and the brands that cater to them. (See Exhibit 3.)

### Fastpacking

Fastpacking, the art of traveling quickly through wild terrain with very minimal gear—often just a small backpack—for multiple days at a time, is a new and growing trend among outdoor enthusiasts who enjoy the added challenge and solitude. *Trail Runner* magazine even recently profiled fastpacking as one of the fastest-growing trends of 2014.

### Brands to Watch

- » **Ultimate Direction:** a hydration pack company that specializes in products to support biking, camping and running. The brand was recently selected by *Trail Runner* magazine as having the best hydration packs in the industry.
- » **Inov-8:** a footwear and accessories company with dedicated models for



off-road running, including some with custom traction spikes.

- » **Big Agnes:** an outdoor gear, accessories and apparel company with distribution across key chain retailers including REI, Sport Chalet, EMS and Cabela's, in addition to over 1,000 independent stores.

### Fat Biking

Fat biking—cycling on snow (or sand) with a specialty large-frame bike and oversized tires—has climbed in popularity among both snow sport and cycling enthusiasts. In the last five years, the U.S. market for fat biking has grown from basically zero to over 10,000 bikes per year,<sup>ii</sup> which translates to an annual market size of over \$15 million. With an entirely different key geography and seasonality from traditional cycling, fat biking will carve out its own unique portion of the cycling market, and brands that cater to this new segment will have access to unique sales channels like snow and surf shops, resorts, and bike rental and equipment shops.

### Brands to Watch

- » **Quality Bicycle Products:** the parent company to a variety of bicycle and accessory manufacturers including Salsa Cycles, Surly and 45NORTH, all of which are invested in the fat bike market. Since 2011, Salsa's sales have grown 800% to \$27 million,<sup>iii</sup> in part due to high growth in fat bikes.
- » **Borealis Bikes:** the industry leader in carbon fat bike frames and components, with in-store distribution across 37 states, Europe and Australia.
- » **9:Zero:7:** a rapidly growing, Alaska-based premium (think \$2,500–\$7,500) fat bike manufacturer.



## Barre

Inspired by traditional disciplines such as ballet, Pilates and yoga, barre is a new group exercise class focused on isometric strength training by using a ballet barre. Since 2011, hundreds of barre studios have opened up nationwide, and approximately 3 million people took barre classes in 2014.<sup>iv</sup>

### Brands to Watch

With strong industry tailwinds and steadily rising awareness, barre studios make compelling investments. Potential targets include Bar Method (86 locations), Dailey Method (56), Pop Physique (18), Cardio Barre (17) and Physique 57 (5).

## Stand-Up Paddle Boarding

The stand-up paddle boarding (SUP) market is riding a swelling wave, growing from less

than \$1 million in 2010 to over \$19 million in 2013,<sup>v</sup> with no signs of a dip. With low barriers to entry—a board and paddle cost \$750–\$1,500—the market has significant room for growth as national awareness increases.

### Brands to Watch

Market share across manufacturers is extremely fragmented, as brands are still relatively unknown and are racing to develop awareness, brand equity and retail distribution. Jimmy Styks, a market-share leader among SUP boards under \$1,000, has one of the largest distributions in chain and independent retailers at its price point. Tahoe SUP and Boardworks also have the potential to develop with this growing trend.



## Kitesurfing

Also known as kiteboarding, kitesurfing is a growing segment within action watersports that involves riding a modified surfboard while holding onto a kite.

With roughly 2 million kitesurfers worldwide,<sup>vi</sup> an annual international competition sponsored by Red Bull and the potential to be an Olympic sport starting in 2020, kitesurfing is only gathering wind in its sails.

### Brands to Watch

- » **Naish:** A U.S. market leader founded by international windsurfer Robby Naish, the brand also manufactures high-end stand-up paddleboards.
- » **Pryde Group:** This vertically integrated action sports company operates open-water brands Neil Pryde and Cabrinha.
- » **Best Kiteboarding:** This board, kite and accessory brand has more than 500 retail partners across six continents. ❖



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- i Outdoor Foundation Participation Report, Kurt Salmon Projections
- ii *Calgary Herald*
- iii *Alaska Dispatch*
- iv Outdoor Foundation Participation Report, Kurt Salmon Projections
- v SportsOneSource
- vi U.S. Kiteboarder Association