European swimwear giant Arena deploys new strategy

By Olivier Guyot  -  6 June 2022

When lockdowns and other restrictions were imposed because of the Covid-19 pandemic, swimming pools had to stay closed, while practitioner numbers boomed for other sporting activities like yoga and running. It was a de facto stop for both swimmers and the sector’s equipment manufacturers. Arena, founded by Horst Dassler, the son of Adolf Dassler of Adidas fame and a major player in the industry, went through a decidedly weak patch for more than 18 months as a result.
At the end of 2021 however, Arena started to bounce back, after hiring a new managing director, Peter Graschi. Since 2014, the company’s majority shareholder has been Swiss investment fund Capvis. “Prior to the pandemic, we were experiencing energetic growth and we were constantly improving profitability. Of course, the pandemic put a major brake on our business,” said Giuseppe Musciacchio, deputy CEO of the Italy-based company. “However, last year we recovered 50% of the sales we failed to generate in 2020. Our initial forecast was to finish below 2019 levels. But by the end of April, we had grown beyond our expectations. It was rather surprising. We had become accustomed to having plenty of inventory, and limited orders. And this year, it’s entirely the opposite,” he added.

Arena is having to deal with longer delivery times for its performance products. The majority of them are still produced in Asia, although in the last few years Arena has boosted its European sourcing to accelerate its products’ time-to-market, notably producing competitive swimwear in its own factory in Slovakia. Arena is currently working to meet a demand spurt, with re-stocking order quantities 20% above the company’s forecast. In this context, Arena’s overall business volume (for both directly controlled markets and licensed distribution) is expected to climb back to pre-pandemic levels, in the region of €300 million. Arena’s own revenue should grow to over €120 million, 25% of which is generated online through its e-shops, as well as through sites like as Amazon, Zalando and Swim Outlet.

France, Arena's main market, is expected to post a 50% growth in sales, well beyond the company's expectations, taking advantage of a positive sales trend at sporting retailers like Decathlon and Intersport, and is likely to generate again a revenue just short of €30 million.
According to Musciacchio, "such a healthy recovery is the result of a combination of factors. Primarily, the relationship we have with customers and the fact we offer quality products. But it’s also the fruit of our work on brand image, which enabled Arena to stay visible to a very broad audience for the last two years. The collaborations we made with Bape, Avnier and especially Fendi allowed us to retain a place in people's minds. This is part of our strategy of transitioning the brand from a clearly identified name in competition swimming to one with a wider appeal. In the past three years, collaborations between sport and luxury labels have become a trend. And obviously, when five years ago we launched our Icons line, featuring a more lifestyle approach, we broadened our audience by working with fashion codes. The high-profile collaboration with Fendi gave us the opportunity to introduce the [Arena] brand to an audience that is rarely associated with sporting competition and Olympic Games."

This initiative triggered a new phase for Arena. Before the pandemic, the company’s Swiss owner was preparing for an exit, but Capvis now clearly stands by Arena’s side, and is backing its new strategic plan.

“We held our sales conference in Sardinia last month. In 15 years, it was certainly the most exciting we had. For Capvis, the ideal timing would have surely been to exit before the pandemic,” said Musciacchio. “We had to take an 18-month break though, make sure the company was well managed in those difficult times. Now, [Capvis] simply wants us to execute our strategy. They have allocated a significant investment budget, not necessarily compatible with a willingness to exit soon. I think it’s a sign of maturity. They have understood the brand’s huge potential. especially within a market that has been transformed after Covid.” he added.
Musciacchio did not disclose the amount invested by Capvis, but it relates to three key elements of Arena's strategy. The company is currently migrating to SAP as its ERP solution, with the goal of aligning its global operational tools and customer-related activity. "It's more than an IT change, it's a change in corporate culture," said Musciacchio, adding that "fifteen years ago, we had a number of subsidiaries in Italy, France and Germany. Now we are one globalised company. This is a way to bring us closer to our end consumers, for whom our message and our value proposition must be clear and unequivocal."

As Arena did recently with the launch of the Diamonds line for the world swimming championships, the brand is keen to broadcast the same message and image the world over. This would also enable it to grow faster on the US market, which will soon account for a larger revenue share than the French one. "In the USA, we are currently focused on competition products only, we work with athletes, federations and universities. With high-performance products alone, we generate the same revenue we do in France, where we commercialise all our collections. The potential is enormous. We are focusing our marketing investment on the USA," said Musciacchio.

Aiming to boost its non-competition products, Arena will deploy a revised communication strategy in 2023. It will adopt an approach based on the concept of 'Water Instinct', trying to reach all swimming practitioners, not just pool enthusiasts. As a result, new product categories will be rolled out next year, notably a beachwear range featuring shorts for men, a segment in which Arena is planning to drop a collaboration in future.