

Amazon Said to Make Sportswear Push in Industry-Jolting Move (1)
2017-10-13 19:42:57.445 GMT

By Lindsey Rupp and Daniela Wei

(Bloomberg) -- Amazon.com Inc. is enlisting some of the biggest athletic-apparel suppliers as part of a foray into private-label sportswear, according to people familiar with the matter, setting the stage for further upheaval in an already- tumultuous industry.

Makalot Industrial Co., a Taiwanese vendor that produces clothing for Gap Inc., Uniqlo and Kohl's Corp., is making apparel for the Amazon line, a person with knowledge of the arrangement said. Eclat Textile Co., another Taiwanese supplier, is contributing to the effort as well -- a relationship first noted by SinoPac Securities Corp. analyst Silvia Chiu.

The project is new and long-term contracts haven't been signed yet, according to people involved. The manufacturers are producing small amounts of products for Amazon as part of a trial, said the people, who asked not to be identified because the effort isn't being promoted yet.

Amazon has previously ventured into private-label fashion, offering office clothing, jackets and dresses under names like Goodthreads and Paris Sunday. But pushing into activewear would bring fresh competition to some of the world's biggest athletic brands.

Eclat's involvement is especially noteworthy because it makes clothing for Nike Inc., Lululemon Athletica Inc. and Under Armour Inc. and has key expertise in making high-performance sportswear.

Shares of Lululemon fell as much as 4.9 percent to \$57.55 after Bloomberg reported on Amazon's sportswear efforts. Under Armour declined as much as 2.8 percent. Nike also slipped, through its shares recovered, trading up 0.1 percent at \$50.86.

Amazon, based in Seattle, didn't immediately respond to a request for comment.

Nike Woes

The move comes as unwelcome news for activewear companies already struggling to stand out in a sea of competition and discounts. Last month, Nike said it expects sales to decline again this quarter in North America. Under Armour, meanwhile, cut its annual sales forecast in August.

Lululemon has fared better this year, but it too is facing steeper competition in the market for yoga pants and other sporty apparel. That cutthroat environment in North America has pushed it to look overseas for growth.

Amazon also has been hiring staff with know-how in private-label athletic apparel. In January, Kirsten K. Harris joined the company as a senior brand manager for Amazon active apparel, according to her LinkedIn profile.

She previously headed up product development at Nordstrom Inc.'s activewear brand for women, Zella. Before that, she held leadership roles in product development for Eddie Bauer and Nike. Harris didn't respond to a request for comment through LinkedIn.

Inventory Gaps

Amazon has developed its own brands in part because they fill gaps in its inventory. If customers are searching for a certain type of shoe or skirt, and don't see much of a selection from established brands, Amazon wants to be able to offer its own options. Oftentimes, shoppers may not realize that the names -- such as Scout + Ro and North Eleven -- are owned by Amazon.

This also sends a message to brands reluctant to sell their full inventory on Amazon. If shoppers can't find your products on the site, Amazon will make its own substitutes and become your competitor.

For suppliers like Eclat, forging alliances with e-commerce companies reflects shifting demand from consumers, Chiu said in a note.

“Online apparel sales accounted for 19 percent of all apparel sales in 2016, up from 11 percent in 2011,” Chiu said.

“Online sales are primed for strong growth.”

Eclat expects new clients to contribute as much as 12 percent of 2018 sales, she said. The shipments to Amazon began in August, according to Chiu.

“The contribution this year will be small, but the potential is high,” she said.

--With assistance from Matt Townsend and Spencer Soper.

To contact the reporters on this story:

Lindsey Rupp in New York at lrupp2@bloomberg.net; Daniela Wei in Hong Kong at

jwei74@bloomberg.net To contact the editor responsible for this story:

Nick Turner at nturner7@bloomberg.net