

# How did Gymshark become the UK's latest unicorn startup?

Sports clothing company Gymshark has become the latest British startup to reach coveted unicorn status, with valuation in excess of \$1B. So how did a Birmingham-born startup with no prior investment strike solid gold?

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Nothing to do with sharks. Something to do with the gym. Gymshark has more than just a name in common with an apex predator.

Agility, for one. Unlike sporting giants like Nike and Adidas, whose names adorn the fronts of warehouse-size high street shops, Gymshark exists entirely online.

Stealth, too. So stealthy that you may not have even heard of it. Rather than forking out million-dollar advertisements featuring the world's leading athletes, Gymshark has built its brand through a handful of social media influencers, from Instagram bodybuilders to YouTube fitness gurus.

This shark-like approach has paid off. In August, a \$200M investment by General Athletic for a 20% stake saw Gymshark founder Ben Francis plastered all over the headlines as the UK's richest self-made millionaire under 30, and the founder of the country's latest unicorn startup (a privately-held company valued over \$1BN, so-called on account of its mythical status).

From his parents' garage to multi-million dollar investments in just over ten years, Gymshark is quite the feat of startup success. So how did an unknown startup, with no prior seeding or investment, become the UK's latest unicorn startup?

## How agility gave Gymshark the cutting edge

For Gymshark founder Ben Francis, being lean isn't just about working out and using the right fitness supplements. Leanness is at the very heart of the company's model, and has been a huge factor in its success.

From the company's humble beginnings, set up by Francis at university while he gigged as a pizza boy on the side, leanness was less a choice than a necessity. He couldn't afford investing in stock, so operated more as a dropshipping model, connecting customers directly to wholesale retailers.

To this day, Gymshark continues to embrace this lean approach, rejecting the bloated and arguably outdated high street retail model in favour of an entirely online store. Francis has always held onto this as a key advantage they hold over the "old school" model which saturates stores with as many products as possible. On the contrary, Gymshark believes less is more, favouring a simple range of products on its online shop.

This is especially timely given the accelerated death of the high street during COVID-19, which has punished store-based brands: Nike reported a year-on-year revenue loss of 38%, blamed largely on the temporary and permanent closures of stores around the world. All the while Gymshark's revenue has continued to increase, with the first quarter of 2020 supposedly its strongest to date.

Success has been partly circumstantial, given changing consumer behaviour during lockdown. Sport brands for a number of years haven't just been aimed at athletes, as fashion has seen the emergence of athleisure wear. Sales particularly soared during lockdown, as buyers ditched suits and going-out clothes in favour of tracksuits and yoga leggings.

## An unconventional marketing model

Sports merchandising is a billion dollar business, with Nike and Adidas battling over top sports teams and winning the signatures of the world's most successful athletes, from Roger Federer to Cristiano Ronaldo.

Gymshark's unconventional marketing strategy has taken a slightly different tack. To build the brand's name, Ben Francis paid a select group of social media influencers on Instagram and YouTube to represent the brand. They may not have adorned billboards, but boast social media followings often in the millions.

Gymshark's Athletes include bodybuilder Steve Cook (2.6M followers on Instagram) and workout guru Nikki Blacketter (1.8M followers). For comparison, footballer Lionel Messi has just 1.5M followers on Instagram.

Gymshark's marketing approach has cleverly tapped into a surge in fitness and exercise during lockdown. Three quarters of Brits said that they'd taken up a new form of exercise since lockdown began, with just fewer than half saying they had stuck with this exercise. Meanwhile home workouts boomed in popularity for those reluctant to leave the house. Gymshark made the connection, providing a platform for trainers and influencers to lead fitness classes for followers. They also launched a 'NHS Sweaty Selfie' competition, aiming to raise money for NHS doctors and nurses.

Francis promises to stick to his guns on this, sticking with the social media driven model that has proven so successful for the company and its influencers.

"We are nothing without our community," Francis commented in the Financial Times, "so we will use this new investment partnership to get even closer to them on a truly global scale."

## So what does it actually mean to be a unicorn startup?

The term 'unicorn' was first dubbed by venture capitalist Aileen Lee in 2013, a rare specimen given that there were only 39 at the time. That number has now ballooned to 483, according to CB Insights: 136 in the US, and 120 in China.

While entrepreneurs like Ben Francis will no doubt crave unicorn status, the concept has been subject to criticism and scrutiny. First, there is the idea of blitzscaling. Blitzscaling, or 'get big fast' strategy, believes that rapid growth is the most important aim for startups in order to achieve market share. This can be done through vast investment rounds, growing sales teams, and price cutting, all of which can have quite negative consequences.

Francis has so far resisted blitzscaling. The \$200M injection from General Athletic is the first investment the company has sought, and will be the first equity share they give up. Up to this point, the company has been completely

funded by cash flow, reinvesting all profits from sales into marketing and development. Even more impressive is that Gymshark has zero debt on its books.

Often, the risk of blitzscaling is selling off increasing shares in the company, and thus losing control over the direction which may have made the organisation so successful in the first place. But Francis still retains a majority share (over 70%) in Gymshark, actually an increase after his co-founder Lewis Morgan sold off his 20% stake.

There's also a fear that this investment will put on pressure to produce unsustainable levels of growth in order to challenge other sport brand competitors. Tech writer Tim O'Reilly, in his [criticism of blitzscaling](#), points to the example of Uber and Lyft competing to gain market share: both companies valued in billions, both still firmly in the red and hemorrhaging cash on discounts and driver incentives to try and increase sales to outdo the competition. Could Gymshark be ushered down a similar path by their new partners?

Unicorn status is more than just a title, it's an expectation. Gymshark will now be under pressure to become the \$1B company which it is believed to be. What path Ben Francis and his team chooses could dictate everything.