



Situation Analysis

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The Industry

The United States sporting goods retail industry consists of sports related apparel, equipment, and footwear. 50% of total industry sales come from equipment, followed by 33% from footwear, and 17% from apparel. The 2013 National Sporting Goods Association's (NSGA) 2013 Sporting Goods Market report shows that the industry is thriving, with consistent growth year after year. In fiscal year 2013, sales in the sporting goods retail industry equaled \$59.2 billion. This was a 7% increase from 2012 (Maciaszek, 2013).

The highest earning category in fiscal year 2013 was Hunting & Firearms, which accounted for \$7.2 billion in sales. The growth in this category was a 28% increase from 2012. The second largest category in 2013 was Jogging/Running shoes, accounting for \$3.0 billion in sales (Maciaszek, 2013).

For the first time in the 30-year history of the NSGA report, specialty sport shops were the favored destination for equipment purchases. This is in large part due to the increase in Hunting & Firearm purchases. 26.8% of equipment purchases were made at specialty shops such as Cabela's, Bass Pro, and private gun shops. 23.8% were made at full-line sporting goods stores such as DICK'S Sporting Goods, Sports Authority, and Hibbett Sports. Full-line sporting goods stores remained the preferred location for athletic footwear, as 22% of sales occurred at those stores. 19.5% of footwear sales came from discount stores, such as Rack Room Shoes, Nike Factory Store, and Under Armour Factory House (Maciaszek, 2013).

The sporting goods industry is unlike most retail industries because it has been able to avoid the eCommerce trend. This is primarily due to the customer's preference of an in-store experience, also known as "experiential retail." Sporting goods shoppers want to be able to try on apparel, especially footwear. They want to try out equipment to make sure it suits their needs.

When necessary, customers will also get their equipment custom fitted. Many sporting goods stores offer this service for free if the purchase is made in-store (Brown, 2013). Interactive in-store displays offer a great opportunity for customers to discover new products. These displays often lead to more purchases (Dick's, 2013).

Another major asset to experiential retail is assistance from employees. Many stores insist on hiring sporting experts, such as former players, coaches, and trainers. These associates offer free advice that cannot be found in many retail platforms. A 2012 Consumer Reports survey showed that sporting goods stores provide the most satisfying shopping experience thanks to quality sales associates. 92% of shoppers at sports retailers interacted with sales associates, as opposed to only 43% receiving assistance at big-box stores such as Walmart and Target. High quality sales assistance leads to customer loyalty. Survey respondents said they are much more likely to return to a sporting goods retailer after receiving expert advice (Plumb, 2013).

While U.S. sporting goods stores are doing well with the experiential retail approach, the industry as a whole is not avoiding eCommerce completely. Many of the industry's major players are participating in omni-channel retailing. Omni-channel retailing refers to offering products and services in-store, online, and through direct mail and email (Brown, 2013). Retailers are capitalizing on this approach by offering unique opportunities to customers throughout all channels, such as exclusive products and expert advice. Online expert advice is becoming a popular feature that many sporting goods retailers have implemented into their eCommerce sites. Other features such as better search and sorting options have allowed sporting goods retailers to stay relevant with shoppers online (Dick's, 2013).

Two categories that are in decline in terms of sporting goods purchases are fitness and golf equipment. The fitness equipment category has been affected by the rise in popularity of

low-cost memberships at fitness centers such as YouFit and Crunch Gym. These fitness centers offer access to all types of fitness equipment at a low price and no contractual obligation. Sales of large fitness equipment such as treadmills, elliptical machines, and weight training machines have declined in recent years due to the low-cost gym membership trend (Dick's, 2013).

The entire golfing industry is declining in growth as well. Golf is an expensive sport to play, and annual growth in participation in the U.S. has declined since the economic recession. Participation growth is expected to be 1% annually from 2010-2020 due to the high costs of equipment and course fees (Form, 2012). In addition to declining participation, equipment vendors have recently experienced a lack of product innovation. This is in large part due to rules from golf's governing body, the United States Golf Association, which has restricted equipment that would make the game easier. Industry analysts believe that top equipment makers such as TaylorMade, Callaway, and Titleist may have reached a peak in new product features (Dick's, 2013).

Although it is currently the most profitable sporting goods sector, the Hunting & Firearms category could begin to experience problems. Gun sales are the primary contributor to the recent success of the outdoors industry. Firearm registrations are beginning to peak, which is expected to cause a decline in sales for outdoors retailers. Future government legislation may also prohibit the sale of guns altogether (Brown, 2013).

The U.S. sporting goods retail industry is in great shape as a whole. Financial analysts agree that all signs show growth and stability in the industry throughout all applicable channels (Henage, 2012). Most major players are planning on expansion by opening new stores in the near future (Plumb, 2013). Retailers are also adapting to online demand, which can be seen in upgrades to eCommerce sites (Dick's, 2013).

The Company

DICK'S Sporting Goods, Inc. was founded in 1948 by 18 year-old Richard "Dick" Stack, an employee at an Army surplus store in Binghamton, New York. The surplus store was starting to struggle, so the owner asked Dick, an avid fisherman, to put together an inventory list to try and get into the fishing tackle business. Dick stayed up all night compiling a list and returned the next morning to proudly show his boss. The storeowner was not impressed and called Dick a dumb kid, which promptly caused Dick to quit (Dick's, 2013).

Right after quitting his job, Dick visited his grandmother to tell her what had happened. She simply told him "do it yourself," and asked him how much it would cost to start the tackle business on his own. Dick said it would cost about \$300, so his grandmother went to her cookie jar in the kitchen where she kept her savings and gave him the money to start his bait-and-tackle shop (About DICK'S, 2013). With a relentless work ethic, Dick opened the shop in Binghamton, where he succeeded right from the start. By 1958, he expanded his inventory to include sports equipment, apparel, and footwear, and renamed the company DICK'S Clothing and Sporting Goods (Tradii, 2004).

Dick opened one more store over the next 20 years, keeping his expectations modest. In 1977, Dick had emergency heart surgery, which prompted his son, Edward "Ed" Stack, to become more involved with management of the company. Ed, a certified public accountant at the time, had grandiose plans for expansion that his ailing father did not agree with, such as larger stores with more inventory. Ed also wanted to build more stores. In 1984, Dick decided to retire and sell the company to his children. Ed took over as CEO and president and began implementing his expansion plans (Dick's, 2013).

The company built about one store a year until the early 1990s, when Ed decided they needed to relocate the corporate headquarters to a larger city. In 1994, DICK'S Sporting Goods, Inc. moved from Binghamton, New York, to Pittsburgh, Pennsylvania. At that time, Ed began implementing expansion plans at an accelerated rate. Over the next few years, DICK'S expanded from 22 stores to 40. Nearly doubling the amount of stores almost bankrupted the company. Banks did not want to help out Ed and his struggling business, so he turned to GE Capital and acquired more investors. The company was stabilized and has not faced financial turmoil since (Dick's, 2013).

In 1995, a large sporting goods retailer named Galyan's caused the executives at DICK'S to rethink the layout of their store. Galyan's featured a two-level store layout with more inventory and specialty departments featuring interactive displays. DICK'S revamped some of their larger locations to mimic Galyan's, and the results were fantastic. Sales increased and DICK'S stores were changed forever. DICK'S Sporting Goods, Inc. eventually acquired Galyan's in 2004, which allowed access to key markets such as Chicago, Minneapolis, Washington D.C., Boston, Dallas, and Denver (Dick's, 2013).

DICK'S has experienced rapid growth since becoming a publically traded company in 2002 (Tradii, 2004). The company is now the top retailer in the full-line sporting goods industry (Dick's, 2013). DICK'S Sporting Goods' mission statement tells the story of their current expectations:

Our mission is to be recognized by our customers as the #1 sports and fitness specialty omni-channel retailer that serves and inspires athletes and outdoor enthusiasts to achieve their personal best through the relentless improvement of everything we do. (About DICK'S, 2013).

As of November 8, 2013, DICK'S Sporting Goods operates 558 stores in 45 states in the U.S. with approximately 11,100 employees (Zacks, 2013; Profile, 2013). In 2007, the company bought Golf Galaxy, a specialty golf superstore. DICK'S acquired over 60 stores and has grown the number of Golf Galaxy stores to 81 in 2013. The company is also launching a new concept store called Field & Stream to compete with highly successful hunting, fishing, and camping stores like Cabela's. This new specialty store will start with 2 stores in 2013, with plans for expansion in the near future (Dick's, 2013).

Plans are in place to grow all aspects of the company, but the question is, will the growth be fast enough? Investors want DICK'S to expand to 1,100 stores, yet that will still be smaller than other large retailers such as Kohl's, Tractor Supply, Staples, and PetSmart. Ed Stack has gone on the record saying the company is "very disciplined from a real estate standpoint (Dick's 2013)." This is in large part due to the near bankruptcy the company faced after expanding too quickly in the mid-to-late 1990s. DICK'S will take a conservative approach and expand as executives see fit. There will be no more than 800 stores by 2017 (Dick's, 2013). Financial analysts believe expanding quicker could benefit the company greatly. Expanding in three states, California, Florida, and Texas, could be the key to successful growth. Only 11% of DICK'S Sporting Goods stores currently exist in those states, which hold 26% of the U.S. population (Mani, 2012).

Another area of concern is DICK'S eCommerce approach. After failing to successfully launch dSports.com in 1999 and losing money on technology investments, DICK'S Sporting Goods, Inc. licensed their eCommerce operating rights to GSI Commerce, now known as eBay Enterprise. eBay Enterprise still operates DicksSportingGoods.com today (Dick's, 2013). If DICK'S were to own and operate their own web platform, it could boost the company's

profitability by not having to pay an outside company to run their website. There are no plans in the immediate future to make this change. This is likely due to another conservative approach by DICK'S after dSports.com failed.

Products and Services

DICK'S Sporting Goods, Inc. has developed their brand to be recognized as a provider of high-performance products designed for competitive athletes. This perception has allowed DICK'S to emerge as a preferred destination for both serious and casual athletes. The company offers products to athletes of all skill levels with varying price ranges (Well, 2012).

Many products from the industry's top vendors such as Nike, Under Armour, Adidas, and The North Face are only sold at DICK'S Sporting Goods. DICK'S offers a differentiated assortment that separates the company's product line from competitors. For example, DICK'S teamed up with Adidas to create a line of baseball bats and gloves. DICK'S is also the exclusive licensee for the 2014 World Cup and Umbro soccer products in the U.S. (Dick's, 2013; Gunther, 2010). The company has been able to develop partnerships with many of the top vendors by offering valuable feedback from customers and assistance from product development personnel (Dick's, 2013).

DICK'S has also developed its own private label brands and products. The company owns brands such as Elite Basketball, Field & Stream, and Top Flite, which was recently acquired from golf giant Callaway in 2012 (Dick's, 2013; Johnson, 2012). More products created by DICK'S include golf products sold under the Maxfli and Slazenger brand names (Gunther, 2010). The results of exclusivity have helped develop more loyal customers, as 23% of all sales came from exclusive products in fiscal year 2013. Nearly all of these exclusive products can be

found in any one of DICK'S Sporting Goods channels, either in-store, online at DicksSportingGoods.com, or through direct mail and email catalogs (Dick's, 2013).

A competitive advantage found in DICK'S Sporting Goods stores is elaborate departments referred to as "store-in-store." DICK'S has expanded their exclusivity by constructing interactive departments such as Nike Fieldhouse, Under Armour Shop, and The North Face Shop. These special departments use visual merchandising to engage customers from afar. Athletes who only wear Nike can find all of their merchandise in the Nike Fieldhouse. The Under Armour Shop has a large section dedicated to woman, which can be seen from far across a store. The North Face Shop is visually different from every other department, featuring unique graphics, urban fixtures, and different flooring. These "store-in-store" departments have given DICK'S a competitive edge when attracting brand loyalists (Dick's, 2013).

When it comes to trends in the sporting goods industry, DICK'S stays ahead of the competition is by identifying trends early and demonstrating them in stores. Customers, especially children, want to look like their idols from professional leagues such as the NFL, MLB, NHL, and NBA. They want to mimic popular athletes' looks both on and off the field. DICK'S offers apparel to dress the customer head-to-toe, presenting items from hats to socks and everything in between. Shoppers will often find large billboards and posters of their favorite athletes in stores to assist with wardrobe selection (Dick's, 2013).

DICK'S also offers a broadened assortment of color, novelty, and graphics in their product line. Their stores were the first to offer Alter Ego products from Under Armour, which have become very popular throughout the sporting world. By captivating the younger audience, DICK'S is building customer loyalty at a very early age (Dick's, 2013).

In 2003, DICK'S launched a private brand concept called Ativa, which was a line of apparel geared towards women. The brand was meant to target customers who desired an upscale, athletic lifestyle (Nishanth, 2007). The concept failed due to lack of resources, but CEO Ed Stack claims the knowledge gained changed the company's approach towards women forever. DICK'S is now the largest women's retailer for Nike, Under Armour, Reebok, and Adidas. They have an increasingly larger share of the women's sporting goods business, with goals of becoming the top retailer in the category (Dick's, 2013).

DICK'S strives to be the best at providing quality customer service as well. In recent years, the company has implemented new recruiting and interviewing tools to help select ideal associates for their stores. These tools allow managers to find those who have knowledge and expertise in individual areas. Many employees at DICK'S stores are former collegiate or professional athletes, coaches, or athletic trainers who have received certification to help customers in the best way possible (Dick's, 2013). These knowledgeable associates are referred to as "DICK'S PROS." In addition to providing expert advice, DICK'S PROS perform over 40 in-store services in areas such as golf, bicycling, hunting, fishing, team sports and more (Zacks, 2013). Shoe specialists will conduct a gait analysis to find the perfect shoe. Baseball bats and hockey sticks can be custom fitted. Lacrosse sticks and tennis racquets can be restrung while the customer continues to shop (Dick's, 2013).

The quality customer service approach carries over to DICK'S specialty shops, Golf Galaxy and Field & Stream. Golf Galaxy's approach is to offer a unique experience to avid golfers unlike any other golf specialty shop. Customers can test equipment on indoor driving ranges with simulation equipment. The putting department has a large putting green for putter testing that can hold multiple customers at the same time. Each store has PGA lesson

certification centers and PGA Tour caliber fitting areas. There are “store-in-store” areas for golf’s top vendors just like those in DICK’S Sporting Goods (Dick’s, 2013).

Field & Stream stores offer the same concepts as DICK’S and Golf Galaxy, with specialty shops for archery, firearms, fishing tackle, and more. Customers can receive valuable advice from true outdoorsmen. Fishing enthusiasts can have their fishing rods and reels customized to their liking. Hunters can have their guns fitted to perfection. This new concept store offers the top brands in the outdoors industry and a new private brand using the Field & Stream name (Dick’s, 2013).

Sale History

DICK’S Sporting Goods, Inc. reported \$5.84 billion in Total Sales for fiscal year 2013, which ended February 2, 2013. This marked an 11.98% increase from 2012, when Total Sales came in at \$5.21 billion. Cost of Goods Sold in 2013 was \$4 billion, making DICK’S Gross Profit \$1.84 billion in fiscal year 2013. This was a 15.17% increase from 2012, when DICK’S Gross Profit was \$1.59 billion. Net Income for fiscal year 2013 was \$290.71 million, up 10.16% from the 2012 Net Income of \$263.91 million (Annual, 2013).

DICK’S Sporting Goods, Inc. has experienced steady growth since the company’s stock went public in 2002 (Tradii, 2004). Between fiscal years 2002 and 2007, the annual Total Sales growth rate was 25%. Even during the U.S. financial crisis and recession, annual sales grew 8% (Dick’s, 2013). Between fiscal years 2009 and 2013, the annual Total Sales growth rate was 9.05%, while annual Gross Profit averaged growth of 11.75%. The annual Net Income growth rate from fiscal years 2009 to 2013 was 132.29%, although this number is skewed heavily by a 439.54% increase from 2009 to 2010. Net Income in fiscal year 2009 was \$-39.87 million, followed by \$135.36 million in 2010. A better perspective of Net Income can be seen in the 3-

year period from fiscal years 2011 to 2013, where the annual growth rate was 29.87% (Annual, 2013).

DICK'S Sporting Goods, Inc. expects steady growth to continue in all aspects of the company over the next 5 years. André Hawaux, Chief Financial Officer and Executive Vice President, expects Total Sales to reach \$10 billion by 2017. This would account for an annual growth rate of 11% between 2013 and 2017. Operating margins are expected to increase from 9% to 10.5% over that same period. DICK'S expects a boost in both store and eCommerce sales, where store sales will make up \$7.9 billion in 2017, with \$1.1 billion from eCommerce sales. The company expects new concept store Field & Stream to grow quickly, generating \$750 million in sales by 2017. Modest growth expectations are in place for Golf Galaxy due to the struggling golf industry. Golf Galaxy is expected to grow from \$300 million in fiscal year 2013 sales to \$350 million in 2017 (Dick's, 2013).

Share of Market

DICK'S Sporting Goods, Inc. has a dominant share of the U.S. sporting goods market. In terms of sales, DICK'S share is \$5.84 billion of \$59.2 billion, or 9.87% (Annual, 2013; Maciaszek, 2013). With steady growth and stability in the industry, the trend of sporting goods retailers is focused on expansion, specifically in the areas of new stores and eCommerce. DICK'S CEO Ed Stack claims the company will invest capital to growing these areas, but will use a conservative approach to avoid failures of past DICK'S ventures (Dick's, 2013).

In addition to new stores and eCommerce, DICK'S will invest in remodeling and updating stores to stay on top of current trends. Categories that will be expanded in DICK'S Sporting Goods stores are women's, youth, and licensed professional and NCAA gear. The company also plans on reducing the space dedicated to fitness and golf departments, which are

the two categories showing the least amount of growth in the sporting goods retail industry. DICK'S Sporting Goods stores will also scale back on hunting and fishing departments in certain markets while encouraging customers to visit DICK'S new specialty store, Field & Stream (Dick's, 2013).

The online sporting goods industry is considered underpenetrated when compared to all other retail industries. Approximately \$6 billion of overall sporting goods sales came from eCommerce in 2012. DICK'S holds a 4.9% share of that market, giving the company \$294 million in online sales for 2012. DICK'S feels this channel offers a tremendous market share opportunity. The company is working closely with their eCommerce partner, eBay Enterprise, to grow their position in the online sporting goods retail market (Dick's, 2013).

DICK'S has a 5-point plan for DicksSportingGoods.com to accomplish their market share goals. First, the company will offer more exclusive products and style options on their site. Second, DICK'S will rely on all marketing channels to drive traffic to their website. Third, customers will be encouraged to join a multi-channel loyalty program called ScoreCard Rewards, where they can receive benefits for shopping in any of DICK'S channels. Fourth, the company will look to optimize their site for mobile devices by offering separate responsive designs for smartphones and tablets. The fifth and final point will be general improvements to the overall site design, including a more user-friendly layout for ease of shopping and faster checkout, a new search engine, sorting and comparison tools, and buyer guides created by DICK'S PROS to help customers decide what they need (Dick's, 2013).

The Market

The market for retail sporting goods consists of athletes of all ages and skill levels. Key demographics include competitive athletes, women, outdoorsmen, golfers, and 13-to-

24 year olds. These specific groups help shape sporting goods trends, product lines, and pricing structure. Reasons for purchasing vary based on intended use and athletic skill level (Dick's, 2013).

Competitive athletes will buy new equipment based on wear-and-tear of previous equipment. Many women prefer to buy apparel that is athletically appropriate with style. Outdoor and golfing enthusiasts are drawn towards innovation in equipment technology. These reasons and more offer sporting goods retailers a lot of choices when it comes to purchasing inventory (Dick's, 2013).

The highly sought after demographic of 13-to-24 year olds buy apparel modeled after their favorite athletes for use on and off the field of play (Dick's, 2013). A Sageworks study showed that children and young adults prefer to shop at sports stores rather than big box stores. The study also showed that back-to-school sales were higher in sporting goods retail than in any other retail market (Plumb, 2013).

DICK'S goal is to emotionally connect their brand to consumers by creating relevant experiences, which in turn will drive loyalty. The company's target customers are described as "true athletes," those who are persistently seeking improvement in their sport. Serving true athletes will appeal to participants of all skill levels by providing desire. Lower skilled athletes aspire to become better, and they can do so by shopping at DICK'S.

Emotionally connecting with customers at DICK'S involves the mind, body, and equipment. The company's approach when interacting with customers is to inform the mind, train the body, and provide the best equipment available to help achieve dreams and form an untouchable athlete (Dick's, 2013).

The trend in the retail sporting goods eCommerce market mimics the overall market with a few minor exceptions identified by DICK'S researchers. Online sales are much higher in markets with DICK'S Sporting Goods stores. Customers who shop in-store and online are three times more valuable than the average customer. The golf equipment and apparel industry is the weakest of all online sporting goods categories. This is due to an older target audience who, as a whole, make much less eCommerce transactions. Golfers also prefer to test equipment before making a purchase (Dick's, 2013).

Distribution

There are 558 DICK'S Sporting Goods stores in 45 states in the U.S. as of November 8, 2013. The standard store size is 50,000 square feet. Smaller market stores are 35,000 square feet, while large, strategic market stores are 80,000 square feet with a two-level layout. Stores undergo constant remodels to keep the look and feel of the product lines fresh. Internal studies conducted by DICK'S prove that remodels enhance sales and margins. Most stores undergo annual partial remodels, while others receive less frequent full-store remodels (Dick's, 2013).

DICK'S operates 81 Golf Galaxy stores as of November 8, 2013. Plans are in place to expand most Golf Galaxy stores from 15,000 square feet to 30-40,000 square feet (Dick's, 2013). The two Field & Stream stores opening in 2013 will be 50,000 square feet (Lindeman, 2013). DICK'S plans to add 15 stores per year, giving the new brand 55 stores by 2017. 50,000 square feet will be the average store size for all new Field & Stream stores (Dick's, 2013).

DICK'S Sporting Goods, Inc. has a strong relationship with its vendors. The company has built these relationships by creating the interactive "store-in-store" departments, such as Nike Fieldhouse, Under Armour Shop, and The North Face Shop. Exclusive products became available to DICK'S stores once vendors began to see sales increase in stores with these

interactive departments. DICK'S now works closely with many of the top vendors to enhance product innovation by providing customer feedback and analytics (Dick's, 2013).

One of the main reasons DICK'S purchased Golf Galaxy in 2007 was to boost relationships with golf's top vendors. Brands such as Titleist, Callaway, and PING began to segment their premium products to golf specialty stores, leaving stores like DICK'S and Sports Authority out of luck. By acquiring Golf Galaxy, DICK'S has been able to put premium products in both Golf Galaxy and DICK'S Sporting Goods stores while increasing overall golf sales numbers. Before acquiring Golf Galaxy, golf products accounted for 15% of sales at DICK'S. Golf products now account for 20%, in large part due to better relationships with product vendors (Dick's, 2013).

Pricing Policies

Demand and sales have grown in the sporting goods retail industry for the past 5 years. Studies show that buyers are willing to pay higher prices for exclusive items. Younger buyers, specifically those in the valuable 13-to-24 year old demographic, want the newest trends and will pay a premium to get them first. Customers are also willing to pay more in exchange for expert advice (Plumb, 2013). DICK'S Sporting Goods, Inc. is an industry leader in all of these categories, allowing them to set prices as they see fit.

Even though DICK'S can charge a premium for their products, they understand the importance of competitive pricing and attracting customers with lesser budgets. In that regard, many of DICK'S private brands offer high quality products at a much more reasonable price, such as Elite basketball shorts and Top Flite golf equipment. Large store sizes allow DICK'S to have a significant clearance section as well. Clearance items are often less than one year-old product from the top vendors. In addition to in store clearance sections, DICK'S offers a

considerable eCommerce clearance site with the same searching and sorting features as the standard site (Dick's, 2013).

Competition

DICK'S Sporting Goods, Inc. describes their brand to investors as “an authentic full-line sports and fitness specialty omni-channel retailer offering a broad assortment of high quality, competitively-priced brand name sporting goods equipment, apparel and footwear (Chong-Adler, 2013).” This classification makes DICK'S primary competitors those who offer full-lines of equipment, apparel, and footwear. However, many specialty shops dedicated towards one category, such as footwear, outdoors, and golf, compete heavily with DICK'S. These specialty shops are considered secondary competitors.

The largest primary competitor for DICK'S is Sports Authority, an omni-channel retailer founded in 1987 and based out of Englewood, Colorado (About, 2013). Sports Authority's sales in fiscal year 2013 were \$3.4 billion, giving them a 5.7% share of the sporting goods retail market. Sports Authority owns and operates 450 stores in 45 states. Store sizes are comparable to DICK'S, ranging between 25,000 and 50,000 square feet (Sports, 2013). The company has approximately 14,000 employees. Target customers are nearly the same as DICK'S with less emphasis on golfers. Sports Authority's product line is similar to DICK'S with much less vendor exclusivity. Instead, Sports Authority tries to focus on customer service and product knowledge to boost their relationship with customers (Sports, 2012). The company went private in 2006 after their stock consistently performed poorly (Sports, 2013).

A unique primary competitor for DICK'S is Hibbett Sports. The company was founded in 1945 and is based out of Birmingham, Alabama. Hibbett Sports' reported \$818 million in sales in fiscal year 2013, which accounts for a 1.3% share of the total market. Sales growth from fiscal

year 2012 was 11.8%. There are 873 Hibbett Sports stores in 29 states. Nearly all stores are located in small-to-medium sized markets with an average store size of 5,000 square feet. Many of the Hibbett Sports markets do not have the presence of larger competitors such as DICK'S and Sports Authority, giving the company a distinctive advantage in those locations. The company employs approximately 2,600 people (Summary, 2013). Hibbett Sports competitive goal is to be considered a neighborhood sporting goods store. The company places heavy emphasis on local sports leagues and offers special products geared towards the residents of each market. Product lines differ greatly from store to store depending on geographic location and sport popularity. Hibbett Sports offers competitive pricing and discounts to youth sports leagues (About Hibbett, 2013).

The largest secondary competitor for DICK'S is Foot Locker, Inc. The company deals with footwear and apparel and does not offer equipment in any stores. Foot Locker was founded in 1974 and has its corporate headquarters in New York City, New York (Foot, 2013). Total sales for Foot Locker, Inc. were \$6.18 billion for fiscal year 2013, giving the company a 10.4% share of the sporting goods retail market (Woodward, 2013). The company owns and operates 8 brands of stores: Foot Locker, Lady Foot Locker, Kids Foot Locker, FootAction, Eastbay, Champs Sports, Six:02, and CCS. Foot Locker, Lady Foot Locker, and Kids Foot Locker are all dedicated to top end footwear. FootAction is geared towards competitive sports with heavy emphasis on apparel. Eastbay's target audience is college athletes, while Champs Sports target audience is high school athletes. Six:02 sells fitness apparel for women. Finally, CCS is inspired by skateboarders and sells apparel and footwear for the extreme sports community. Foot Locker, Inc. has a total of 3,335 athletic retail stores in 23 countries in North America, Europe, and Australia. Stores are frequently located in high traffic shopping malls with an average store size

of 2,400 square feet (Foot, 2013). The company has approximately 10,000 employees (About Foot, 2013).

Foot Locker, Inc. made major changes to the company's eCommerce site after overall sales declined in fiscal years 2010 and 2011. These changes completely turned the company's finances around, as web sales accounted for \$612 million in fiscal year 2013, or 9.9% of total sales. This was a 33.9% increase in web sales from fiscal year 2012, when web sales accounted for \$457 million. Foot Locker is looking for more ways to improve their site to capture an even more dominant market share of sporting goods eCommerce (Woodward, 2013).

Cabela's, a specialty retailer of hunting, fishing, camping, and related outdoor merchandise, is DICK'S largest competitor in the outdoors category. The company was founded in 1961 and is based out of Sidney, Nebraska. Cabela's reported \$3.1 billion in sales in fiscal year 2013, which is a 5.2% share of the sporting goods retail market. The company has experience significant growth in sales over the past 3 years (Investor, 2013). Cabela's owns and operates 40 stores, 37 of which are in the U.S. and 3 in Canada (Item, 2013). Store sizes vary greatly, with an average size of 80,000 square feet. The largest store is 250,000 square feet and is located in Hamburg, PA. The company has 15,200 employees. Cabela's target customer is the outdoorsman, and large portions of sales come from the growing popularity of guns and ammunition. The company has a dominant position in the direct-mail catalog market, as 33% of total sales came from that channel (Investor, 2013).

DICK'S greatest competitor in the golf specialty store category is Golfsmith, the largest golf-only retailer in the world. The company was founded in 1967 as a custom golf club catalog business. Canadian golf retailer Golf Town purchased Golfsmith in 2012, forming Golfsmith International Holdings, Inc (About Golfsmith, 2013). The last reported sales figures were in

fiscal year 2012, when Golfsmith had \$387.3 million in sales (Golfsmith, 2012). The company's headquarters are in Austin, Texas. Golfsmith has 150 stores in the U.S. and Canada, with an average store size of 25,000 square feet (Dear, n.d.). 1,800 employees work for the company. Golfsmith targets avid golfers, providing in-store practice facilities, professional advice, and custom club fitting. The company offers a low price guarantee, where they will match competitors' prices for any item and provide 15% off the difference in the price (Retail, 2013). Golfsmith also relies on the direct-to-consumer channel, with email and direct mail catalogs (Form, 2012). A third party reported a lot of "sameness" in golf specialty stores, which could add to the woes of the entire industry (Dick's, 2013).

Promotion

The goal of DICK'S Sporting Goods, Inc.'s promotional material is to combine the emotional power of sports with the company's positive reputation to engage customers in the retail environment. In the past, DICK'S national reach relied on television advertising created by the top industry vendors. These ads were tagged with the company logo and the phrase "Available at DICK'S." The company created their first national brand campaign in 2012 called "Untouchable" to serve the true athlete, providing highly emotional and insightful advertising. The objective of the campaign was to send a message to true athletes that DICK'S understands them. The company's second major campaign is titled "Every Pitch" and "Every Snap." This campaign features authentic behind-the-scenes moments in baseball and football games, such as a batter's thoughts in the bottom of the 9th, or a locker room speech at halftime of a major football game (Dick's, 2013).

Lauren Hobart, DICK'S Chief Marketing Officer and Senior Vice President, reports that authenticity in advertising is working. The campaigns have received great response from the

leading media outlets in the sports industry and more importantly, consumers. The teen market is using social media outlets such as Facebook and Twitter to talk about the campaigns (Dick's, 2013). This social media interaction adds another layer of promotion that cannot be purchased.

To expand on authentic advertising, DICK'S created digital promotional material that can only be found online. A documentary series called "Hell Week," found only on YouTube, features insight into high school football training camps. Hell Week has received over 1.5 million views. Another campaign called "Run For" can be found on DICK'S main website. This short documentary series features 13 different people and their reasons for running. These shorts are highly motivational and are meant to appeal to all types of athletes. Another digital campaign, "Jersey Report," is an eCommerce campaign that allows users to track NFL jersey popularity through a dedicated website. The campaign has generated higher sales of NFL jerseys at DICK'S and has generated great Public Relations coverage. Sports media outlets have referenced the Jersey Report site, which generates discussion about fanwear and helps lead consumers to DICK'S (Dick's, 2013).

While national brand campaigns have been successful in the early going, DICK'S did suffer from a few failed in-store promotions recently. This was primarily due to unexpected weather patterns. The 2012-2013 warm winter in the U.S. negatively effected in-store promotions for winter apparel and snow sports. Sales suffered, and DICK'S was left with excess winter inventory. The cool and wet 2013 spring had the same negative effects for typical outdoor spring sporting goods. Finally, the lack of participation and equipment innovation has hurt recent golf promotions (Dick's, 2013).

DICK'S intends to build their brand so that consumers will think of DICK'S the same way they think of Gatorade and ESPN – as leaders in sports. Promotional efforts will be a key

factor in achieving this goal. The company will rely on two strategies to extend the reach of promotional campaigns.

First, DICK'S will offer a best-in-class brand that surpasses the retail category. Making an emotional connection with the customer to build loyalty and preference will help accomplish this. The first step is to expand partnerships with the top sports companies. DICK'S will continue to boast exclusive products from Nike, Under Armour, Adidas, The North Face, and more, to make sure consumers recognize the company as the top provider for these brands (Dick's, 2013). DICK'S also signed an agreement on November 4, 2013 to partner with ESPN to become the official eCommerce provider of merchandise on ESPN.com. This collaboration will allow the DICK'S brand to be seen across all ESPN platforms, which consist of multiple television stations, websites, mobile apps, and a direct-mail magazine. The new partnership will be branded "ESPN Fan Shop powered by DICK'S Sporting Goods" and will be hosted on DICK'S website at dicks.com/espnfanshop (Chong-Adler, 2013).

The next step in creating an all-encompassing brand is to grow the company's social media presence. DICK'S has started to do this by doubling their Facebook followers within the past year. The company has plans in place to grow on other popular outlets such as Twitter, Instagram, Pinterest, and Vine. Consumers have a high interest in receiving promotional content through these channels, which provides a strong correlation with website traffic and eCommerce. A 2012 study showed that DICK'S was the top retail brand in social media growth. The company looks to continue this growth for years to come (Dick's, 2013).

The final step in achieving a best-in-class brand classification is to excel in community outreach. DICK'S donates over \$10 million a year to local youth sports leagues. The company provides equipment and training to coaches and players across the country, which helps build

strong consumer relationships in those communities. Community outreach programs have helped build DICK'S reputation while driving sales.

The second strategy for building the DICK'S brand is to expand on omni-channel marketing. Proper engagement with customers will build loyalty and drive traffic to all of DICK'S channels. The challenge is delivering content to the customer at the right time in the right way. DICK'S loyalty program, ScoreCard Rewards, allows customers to receive benefits from purchasing items in-store, online, or through email and direct-mail catalogs. More important for DICK'S, the ScoreCard program provides a great Customer Relationship Management tool, specific through the use of analytics. DICK'S can now identify customer trends much more readily. The company can send sport-specific material to those showing particular interests. As a result, email sales grew by 80% in fiscal year 2013, ScoreCard Rewards members spend 20% more per transaction, and direct mail subscriptions grew significantly. DICK'S is currently working on a ScoreCard Rewards mobile app to further the reach of the program (Dick's, 2013).

More DICK'S promotional strategies deal with in-store engagement. When a new store opens, DICK'S provides many promotions to drive traffic into those stores. Mystery gift cards are provided to the first 100 shoppers, with dollar amounts between \$5 and \$500. Apparel giveaways take place at grand opening celebrations, such as exclusive Under Armour Tech t-shirts. Scratch & Win cards are also part of new customer engagement. The prizes are random on the scratch-off cards, but everybody wins (Zacks, 2013).

Another in-store promotional tool for DICK'S is high quality customer service. Employees are carefully selected in the hiring process, ensuring all associates are knowledgeable in their particular sports category. Many members of DICK'S sales staff are former athletes, coaches,

and fitness trainers. Certain employees receive special training to become DICK'S PROS, where they are certified to perform specific tasks, such as equipment fitting and repair. DICK'S sales force is a major asset to the company, and their expertise is marketed well to customers (Dick's, 2013).

SWOT Analysis

STRENGTHS

- **Exclusivity**
 - DICK'S strong relationship with top vendors such as Nike, Under Armour, Adidas, and The North Face allow for exclusive product offerings and interactive "store-in-store" departments.
- **Experiential Retail**
 - DICK'S stores offer a unique in-store shopping experience where customers can try on apparel, customize equipment, and interact with the sales staff.
 - DICK'S PROS are certified to offer expert advice and provide equipment fitting and repair services.
- **ScoreCard Rewards Loyalty Program**
 - Loyalty program has increased sales, as members spend 20% more per transaction.
 - Email sales increased 80% in 2013.
 - Analytics allow DICK'S to deliver

- **Promotional Efforts**
 - DICK'S can continue to build loyalty and expand brand recognition by creating emotionally powerful campaigns.
 - The company has a great opportunity to increase their online presence through social media impact, digital campaigns, and a new ESPN partnership.
- **Expansion of Private Brands**
 - DICK'S private brands could be extended to all sporting categories.
 - Private brand growth could increase profitability and give DICK'S a more dominant market share.
- **Field & Stream**
 - DICK'S new concept store will help the company gain a larger share of the outdoors industry, which is the highest earning category in all of sports retail with very few competitors.

OPPORTUNITIES

WEAKNESSES

- **Conservative New Store Approach**
 - DICK'S investors want 1,100 stores to compete with top retailers, but CEO Ed Stack says company is disciplined with new store additions due to past failures.
 - Stores are missing in key markets such as FL, CA, and TX, where 26% of the U.S. population resides. Only 11% of DICK'S stores are located in those states.
- **External Website Operation**
 - DICK'S eCommerce operating rights are licensed to eBay Commerce.
 - Company is sacrificing profits to pay for the third-party service.
 - Without full control of the eCommerce site, DICK'S will not be able to test innovative designs and ideas to gain a larger share of the online sporting goods retail market.

- **eCommerce Growth**
 - The online shopping trend could begin to penetrate more of the sporting goods retail market.
 - Online retailers such as Amazon may sign exclusivity contracts with top vendors, hindering one of DICK'S greatest strengths.
- **Problematic Sporting Goods Categories**
 - Declining growth and lack of equipment innovation in the golfing industry may decrease sales of golf apparel and equipment, which currently account for 20% of DICK'S sales.
 - Fitness equipment sales are expected to decrease due to low-cost fitness centers.
 - Gun registrations are beginning to peak, which will inevitably hinder sales.
 - Future legislation may prohibit gun sales.

THREATS

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