Sporting competition in the e-market place as a new retail structure emerges



According to KSA's Sporting Goods Outlook 2000, only 33% of traditional bricks-and-mortar retailers have a transactional website, but this will grow to 83% in the next three years. This number is not surprising as most retailers now realise that they must sell on the web in order to retain market share.

Strikingly, 11% of manufacturers are already selling directly on the web and 55% intend to do so within the next three years. This is a considerably higher percentage than manufacturers who currently retail and this trend, as well as the presence of new entrants such as Boo.com and Fogdog, will lead to an ever more competitive environment on the web. As well as the threat of more manufacturers and e-tailers entering into direct-to-consumer selling, sporting goods retailers in the Internet age must concern themselves with how best to optimise their customer base. This will mean operating over a mix of channels to meet the demands of the consumer, who is increasingly pressed for time, and creating a fast-moving, differentiated product offer to keep up with changes in demand. One development of recent years, which will continue to underpin future development of the retail scene, is the polarisation towards niche retail and mass-market retail. There will continue to be no room for the middle ground, seen by the continuing demise of independent retailers.

Manufacturers as niche global e-tailers

Manufacturers who run a profitable retail business are still few and far between. Niketowns and Nike outlet stores serve specific functions of creating brand equity on the one hand, and selling discontinued ranges on the other. It is unlikely that Nike will ever become one of the big bricks-and-mortar retailers, as it is not a core competence of a marketing/manufacturing organisation. However, as the percentage of manufacturers who intend to sell on the web shows, some of the major barriers to entry in conventional retailing disappear when selling on the web. Back-end requirements are totally different to traditional retail, as an e-tailer must learn how to deliver to the consumer at home, selling without physical space and in-store staff. Manufacturers must decide by going it alone whether they will generate enough clicks to be a mass-market retailer, or whether they should create niche e-tail opportunities. Take Nike iD - a concept giving the consumer the ability to personalise Nike products. Association with a mass-market brand is fine for today's fashion conscious youth, but you can no longer lose your own identity in the collective of a sports brand as you did in the 1980s and '90s. ID is almost creating thousands and thousands of niche 'athleisurewear' sub-brands only available on the net.

Athleisurewear (where sportswear meets fashion), according to KSA's survey, is expected

to be one of the key growth categories in the sporting goods industry. Nike has also learnt a lesson from its new competitors in the fashion industry about quick turn around of product. The sporting goods industry, ever since the introduction of mass production, has relied on forward ordering in order to set up production runs, create complicated moulds, and ship goods from the Far East. With fashion becoming ever more temporal and designerwear brands with years of experience becoming key players in sport, this model cannot last and models such as iD will create more value for the customer.

What Nike is doing, is creating itself as a global Niche e-tailer with high margins on the one-hand, and then selling to the mass market with lower margins on sites such as Fogdog. Adidas has also launched its e-commerce presence as a niche player by only selling its 'Olympic' products, such as fencing shoes, over the net.

Traditional retailers strive for differentiation

Traditional retailers have been moving towards chain-specific ranges from brands over the last decade. Special make-ups have played a large role in helping differentiate one retail chain from the other. However, the notion that having a different colour of a hot shoe can really create competitive advantage died with the crash of UK retail in 1998. In the over saturated retail market, retailers had to develop their own brand identity. As retailers become multi-channel retailers, they will need more and more specific ranges. Not only do they need product to create differentiation from the competition, but also they need to ensure they have the right products for each channel they operate in. This again poses a question for the manufacturers. How can they keep a strong brand identity whilst potentially creating chain specific ranges, channel specific ranges, regional specific ranges all whilst selling their own products on-line? In short, they cannot. New retail own-brands will be launched, traditional brands will create sub-brands or the big brands will acquire more niche players.

Internet business models will force sporting goods retailers to be more customer focused and be more reactive to trends. Maybe the biggest challenge facing bricks-and-mortar retailers is their market and channel mix. They can feel safe that the consolidation of recent years has left a healthier high street. However the threat/ opportunity of globalisation still looms. Manufacturers' global e-tailing presence on the web will push retailers to be more global and players such as Decathlon, with strong European presence and experience of new markets, are ideally placed to capitalise on this.

Also, if retailers do not compete with e-commerce start-ups, they will lose business. They must cannibalise their own stores, rather than lose out to competition. If this is the case, what is the right number of traditional stores? Which Internet portals should they sell on? Which TV shopping channels should they be on? Where will they find the consumer - the high street, Internet, the gym (both specialists such as Sweatshop @ Canons, and JJB with its Soccerdome have started this trend)? One thing is sure, the success stories, no matter the channel, will either be mass-market generalists or niche players.

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