

# Sports Retailing For The 21st Century

A formula for developing sports-oriented retail venues to cash in on a booming trend.

*Jill Bensley and Timothy Sales*

Retailing in the sports and entertainment industries has undergone a quantum change in the 1980s and '90s, much of it caused by modifications in the structure of the retail industry coupled with economic and sociological changes in society. Overbuilding of malls and competition from power and value centers have caused retail developers to increasingly add entertainment, dining and entertainment-oriented retailers to their product mix. This new competition has pushed development of lifestyle retailing with more leisure and experiential components.

One of the newest players on this field is licensed or branded sports retailing. Sports as retail is not a new concept; consumers are very familiar with footwear and sporting goods chains and even a few team-owned chains of fan merchandise. The market for licensed sports retailing is quite large (nearly \$9 billion domestically in 1997). In fact, its size is one of its challenges in that much of this category's product is widely available from multiple competing retail outlets. Creating and differentiating a new entertainment retail concept based upon sports requires the introduction of both unique merchandise and unique entertainment experiences.

Several major entertainment companies own brands, teams or venues with strong content for sports retailing. The Walt Disney Company has launched ESPN: The Store, ESPN Zone and Disney's Wide World of Sports and has plans for roll-out of at least

one of these concepts. Twentieth Century Fox has assembled its own sports cable network to rival Disney, has ownership interests in the Los Angeles Dodgers and the new Staples Center in Los Angeles, and is building a sports brand with strong retail potential. Turner Broadcasting Systems, a Time-Warner Company, owns the Atlanta Braves, Hawks, Thrashers and Turner Field, providing content for a multitude of retail products and formats.

The professional sports leagues also continue to take an aggressive stand to push their licensed properties ever further, expanding well beyond retail. Following in the wake of All Star Cafe and NASCAR Cafe (which took alternating approaches to branding professional sports), NBA is now pursuing a restaurant alliance with Hard Rock Cafe International, while the NFL is actively developing a permanent, year-round version of their popular traveling Super Bowl-related sports fun zone called "NFL Experience." Given the capital and creative resources of these players, we are sure to see a variety of alternative takes on sports retailing in the near term.

## **BIG BUSINESS**

Licensed sports merchandising is a \$10 billion business. The market for professional sports merchandise is large and growing. In 1997, the four major sports leagues (MLB, NBA, NFL and NHL) generated over \$9 billion in domestic retail sales of licensed merchandise. Another \$850 million of in-

ternational sales were generated by these same leagues. The National Football League (NFL) represents the largest share of licensed merchandise sales with over \$3.4 billion in revenues and a business that has been producing steady annual gains throughout the 1990s. The National Basketball Association (NBA) posted sales of approximately \$2.7 billion in 1997, up slightly from several years of nearly flat sales. In the same year, Major League Baseball (MLB) increased sales to \$1.8 billion, still off substantially from its last pre-strike year (1994, at nearly \$2.5 billion). Finally, the National Hockey League (NHL) posted the greatest growth of any league in the 1990s — albeit on the smallest program — growing to approximately \$1.2 billion by 1997.

As reported in the 1997 ESPN/Chilton Sports Poll, 47.4 percent of the U.S. population over 12 years of age owns some professional sports licensed retail product. This represents over 107 million consumers, based on a 1997 year-end population estimate of 225.0 million persons over 12 years of age. Thirty nine and one-half percent (39.5%) had purchased professional or both professional and collegiate merchandise within the three months prior to the survey. Nearly half (48.3 percent) buy the merchandise for themselves, while 25.5 percent buy for someone else. The most typical setting to buy professional sports retail is at a specialty store (44.3 percent), while stadium/games accounted for only 2.6 percent of sales locations.

Licensed product sales are extreme-

ly sensitive to the league's seasonal schedules. Most experience a strong December (except for MLB), either due to league schedules or traditional retail patterns. NHL experiences several annual peaks (early spring, mid-summer and holidays), while MLB experiences a very strong April (approximately 23 percent of annual sales) due to Opening Day fever. The composite curve of monthly sales for all professional sports tends to even out league peculiarities, more closely approximating the seasonality of a traditional retailer. Exceptions include a stronger January (due to the Super Bowl) than typical of general retail and MLB's exceptional April.

America's favorite spectator sport is professional football (24.1 percent rank the NFL as their Number 1 favorite sports league), followed by MLB (12.4 percent) and the NBA (12.3 percent). The NHL ranks eighth, behind college football and basketball and car racing, but is growing quickly in popularity. Fans buy professional sports merchandise in roughly the same order as they rank their favorite sports. The exception is the NBA, which is roughly tied with MLB in popularity, but which achieves 50 percent higher licensed product sales. This is partly due to the fan and consumer backlash that was experienced in the wake of the 1995 baseball strike. Given the NBA's recent labor disputes, it should be interesting to see if professional basketball experiences a similar sales dip.

#### **SPORTS RETAIL IS BECOMING LIFESTYLE RETAIL**

Licensed sports retailing is no longer just for sweaty jocks or Sunday afternoon quarterbacks. The category has undergone changes in its merchandise focus during the 1990s. Strongly oriented to selling replica jersey and authentic merchandise at the outset, licensing has been forced to broaden into fashion and lifestyle products as the key 18- to 34-year-old demographic has looked to sports manufacturer brands (e.g., Nike, Adidas, Reebok) to replace traditional

sports team licensed products.

There are multiple markets to serve, and new sports retail concepts are mining a variety of segments, including:

- Sports fans
- Professional sports licensed product consumers
- Sports and fitness consumers (sporting goods consumers)
- Lifestyle retail consumers
- Entertainment and retail consumers

Indeed, as licensed product grows beyond traditional lines, the opportunity and necessity to market to a broader demographic has emerged: golf/casual fashion and better polos for the older professional; new bolder textiles, prints, colors and trendy silhouettes for the younger alternative market; fashion and flattering cuts for women. All consumers appear to want greater flexibility in their purchases, expecting both utility and durability in an active sporting situation as well as fashion and comfort in a casual social setting.

#### **SELLING EXPERIENCE, NOT GOODS**

Beyond product, new retailing concepts such as sports retailing must differentiate themselves by creating desirable, fun shopping experiences. Consumers want more than just to buy the product; they want to turn the retail experience into an entertainment experience. In today's market, consumers believe that most goods are available everywhere, so to an extent retailing has become another commodity business. Certainly in the licensed sports retail category the product is widely available; professional licensed sports merchandise is sold by mass merchandisers and category killer sports retailers who can undercut prices of other specialty retail outlets.

Also, consider that women are the primary purchasing agents in 85 percent of households, not only for food, clothing and household products but for recreation and leisure products

and services. The items a woman buys may not be for her, but she is still making the decision to buy. This holds true for many licensed products and sporting goods.

Today's consumers — especially women — categorize shopping two ways: "have to" (necessity shopping) and "want to" (fun shopping). When shopping for "want to" items such as licensed sporting goods, consumers seek a differentiated product at a fair price in a leisurely amount of time. Consumers want and expect the atmosphere to be exciting, interesting and entertaining.

So if a product is widely available, often discounted, and discretionary in nature, how can a new sports-oriented retail entertainment concept compete?

Package the product with a unique experience or environment and transform it into a "want to" shopping trip. The experiential/retail industry is flush with innovative retailers developing brand loyalty for their products. Many of these products are available everywhere, as with professional sports merchandise. A few examples are Williams-Sonoma, Patagonia, Warner, Nike, Sony, Gap, Barnes & Noble, Borders and ESPN. Of course not all of these retailers sell goods associated with entertainment or leisure, but they are capturing the hearts and loyalties of their customers through retail-based experiences.

Create an emotional bond with your audience. For many of the above retailers, this bond has not come cheaply. Corporate owners are making extremely large investments in high-end stores to own key retail categories in consumers' hearts and minds. Often these stores do not generate revenue at a level sufficient to bring a return on these investments. Nevertheless, many companies have a strong corporate desire to create a brand. In fact, many retailers consider retail-entertainment stores a branding/marketing vehicle rather than a profit center.

The following table highlights the top-performing professional sports teams in 1997 based on fan popularity and licensed merchandise sales:

<u>League</u>	<u>Team Popularity</u>	<u>Sales Ranking</u>
NFL	Dallas Cowboys San Francisco 49ers Green Bay Packers	Dallas Cowboys San Francisco 49ers Pittsburgh Steelers
MLB	Atlanta Braves New York Yankees Los Angeles Dodgers	Cleveland Indians Atlanta Braves Los Angeles Dodgers
NBA	Chicago Bulls Los Angeles Lakers New York Knicks	Chicago Bulls Los Angeles Lakers Orlando Magic
NHL	Detroit Redwings New York Rangers Pittsburgh Penguins	Mighty Ducks of Anaheim Chicago Blackhawks Toronto Mapleleafs

JB Research has conducted focus groups considering development of place-based retail-entertainment products. When asked the question, "What is the core of your city, what best describes your city and what makes it wonderful?" the consensus is always family and old-fashioned values. From Los Angeles to Hartford, Connecticut, this is the answer always given. Mentioned along with family is the "way it used to be," the safety, grounding, security that is absent in today's constantly changing environment. The participants talk about safe neighborhoods, family connection, simplicity.

**THE THEME**

With the above points developed, the articulation of a theme will flow. Rather than being a theme that is applied as window dressing, it should be a theme that is an expression of a story, experience, or set of emotions shared by and relevant to a community (i.e., the market). While thematic freshening is always required, a theme built upon compelling emotion and experience will have stronger and longer appeal. **SCB**

**THE CEET**

To assist our clients with internalizing the above, we have created a simple formula. We call it the "CEET," as in "Kick 'em in the CEET!" We believe that in today's highly competitive retail and entertainment market, this phrase is a perfect reminder of what every retailer must do to plan for a successful retail venue launch.

The formula: CEET = Customer + Experience + Emotion + Theme is used as a conceptual framework. It can be applied to any type of concept equally well. The concept presented below suggests how the formula might be applied to sports retailing. It's based on a simple formula that defines the key elements of successful store creation.

**THE CUSTOMER**

To be successful in the sports retail category, operators must go beyond the established market demographic for sports licensed merchandise consumers (i.e. fans, fitness enthusiasts and sports participants). The store must certainly capture the hearts and minds of these groups, but should extend its reach to a broader market in order to improve its performance.

The broadest demographic segment in the United States today is baby boomers and their families. Included in this group is Gen-Y, Gen-X, boomers, and matures. While boomers comprise 78 million Americans, their direct reach and influence includes virtually every age and demographic domestically. Market to boomers with a compelling story and others will be brought in by this affluent cohort.

**THE EXPERIENCE**

Being a fan or watching sports is an experience that reaches across generations and can be readily translated across markets. Sports teams are the lifeblood of many communities and can be tied back to local touchstones, places and historical events. Sports offers up timeless heroes for each generation as well as a steady supply of intriguing celebrities-of-the-moment. Building a retail experience based on a rich mixture of history, personality and community can be a way to broaden a sports retail concept to appeal to a wider audience and to help ensure that the concept is popular even when a certain team is not performing well.

**THE EMOTIONS**

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