

Paying the price

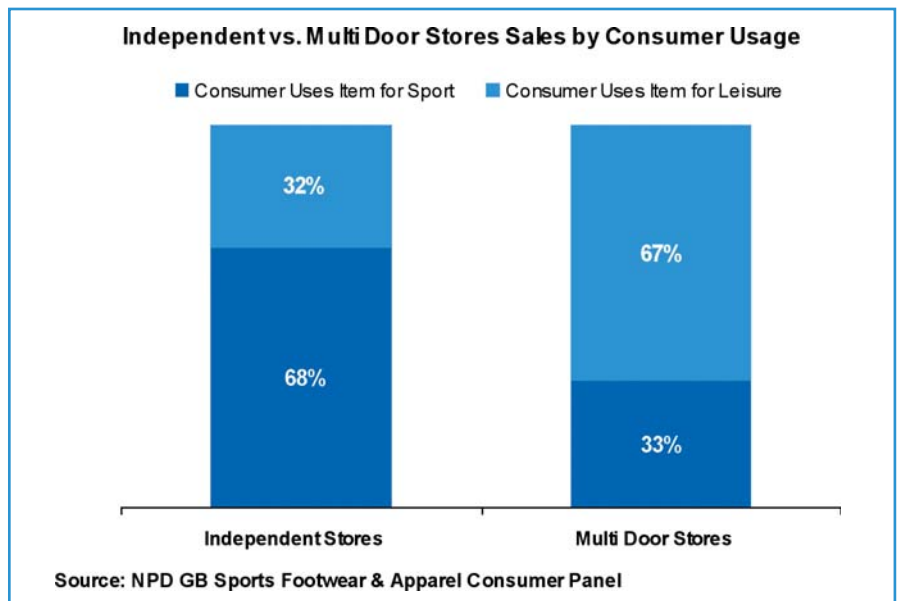
Can independents survive in the era of discounting? The NPD Group investigates

2009 really was the year of the deal. Supermarkets were packed with consumers picking up endless two-for-one offers, while business was brisk for food discounted as it reached its sell-by date. Fish and meat is readily available in all superstores nowadays, and for many people it's easier to buy these products at their local Tesco than making a trip to the butchers.

Supermarkets, though not solely responsible, are in the process of changing the face of British high streets; latest statistics reveal that, in an average week, 52 pubs and six butchers close for good.

Trend

How does this trend affect the sporting goods industry? The good news is that the majority of supermarkets haven't seriously involved themselves with sporting business. In a sense, we have our own supermarkets in the sports





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trade in the shape of Sports Direct, JJB and JD Sports, which are located on most high streets or in out-of-town shopping centres and offer the consumers many 'too good to turn down' deals. While these stores have a lot to lose by offering cheap deals, they can't afford to let customers shop elsewhere. Sports Direct has long been the champion of the mega deal, but does it offer the sporting consumer what they really want?

Using NPD's Online Consumer Panel, we can compare the multi-door stores with the independents. In the 12 months to June 2009, independent stores sold around £200million of goods against a mountainous £2billion from the large chain stores (Sports Direct, JJB, JD Sports and Foot Locker).

The smaller stores hold around

10 per cent of the market, and this figure has remained relatively constant throughout the past 18 months. The chain stores are able to reduce in price a large amount of stock in order to shift it before new ranges are delivered, while independents do not have the volume to cut across the board. Of all the goods sold in the 12 months to June 2009, the large stores priced 50 per cent of their stock with reductions.

The increase in discounting began in mid-2008 and has continued at pace ever since. Independent stores cannot ignore this trend - and the results speak for themselves. Twelve months ago 27 per cent of goods were sold at a reduced price - now this figure has risen to 36 per cent. As a result, independent sports retailers have lost 14 per cent value, compared to five per cent for the large stores.

What could have hit the smaller stores hard were the post-Christmas sales rush followed by the subsequent drop-off. At the start of 2009 independents pushed their prices back up and suffered a large, double-digit decline. The multiple stores, with their low prices, managed to ease through this difficult period.

Volume sales

There are, however, encouraging signs when it comes to volume sales. Consumers know that if they shop in specialist stores they will have to pay more for not only the product, but the level of service they receive. For the 12 months to June 2009, volume in the independent trade was up 14 per cent, while the figure remained flat for the multiples.

There is also the question of what the consumer is buying product for. Are these large, heavily stocked retailers providing what the active person wants? If the average person wants some sportswear to play sport in, it is apparent they are far more likely to shop in an independent store. NPD's Online Consumer Panel reveals that almost 70 per cent of consumers purchasing sporting goods in independent stores do so because they are planning to use them for sport. The same figure for consumers buying from a multiple is just 30 per cent.

These figures show that consumers know why they are shopping in specialist sports stores, and will continue to do so, but they need the added incentive of a few good deals. It isn't realistic to expect independents to take on big, boisterous mega-sales, but a little word of mouth and a few well-placed sale tickets can do a lot for getting through the bad times. Keep an eye on the large store's price fluctuations, as they always seem to get it right, but also remember the value of the sports specialist to the consumer.

When we look at why consumers chose to shop in the large multiples, price and location come in as the top answers. When it came to independents, the number one answer was 'range of products', and they also score highly with 'staff competence'. **51**

The NPD Group monitors the sales of sports footwear and sports apparel in many countries around the world. For more information contact The NPD Group sports team on 01932 355580.