

Sports Retailing In India: The Case of Decathlon

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Abstract

The case was drafted by the students of XIME Bangalore as part of Retailing Elective Course under the supervision of faculty member Dr. N. Meena Rani. The case basically elaborates the policies and practices of the French sports goods retailer –Decathlon, factors contributed to its success, its marketing strategy and the like, largely focusing on its Indian operations.. It was largely based on published sources of information like financial dailies, interviews by the company executives to various channels and some sources of primary data like the students’ interaction with store executives in some stores located at Bangalore, and their personal observation. The case is being only for academic purpose.

Decathlon in India

French sporting goods retailer Decathlon has treasured more revenue than its rivals such as Adidas, Puma or Nike in FY18, due to the broader awareness about fitness in India and adoption of sporting disciplines other than cricket by the Indians. Decathlon has also become India’s second largest single-brand retailer after Xiaomi, with revenue of Rs. 1, 278 crores for the year to March 2018. It has made a profit of Rs. 33.8 lakh, the first in India for the retailer that began operations in the country about a decade ago. The company sells more than 500 products catering to 71 sporting disciplines. By contrast, most of the other retailers’ trade merchandise restricted to popular sports such as cricket or football. Over the past few years, India has demonstrated an increasing enthusiasm for non- cricket sports, such as kabaddi, soccer, volleyball, hockey and badminton. The country now hosts leagues in most of these sporting disciplines drawing participants from across the globe.

In 2009, Decathlon came into the picture by opening its first cash and carry format and wholesale store. However, it received approval for single brand retailing in 2013. It changed its business model from wholesale to retail. The company has expanded its business 10 times since then by adding more than 51 stores.

The heart of Decathlon: People

Decathlon team mates flourish within an open organisational model. They keep on looking for continuous improvement opportunities capable of creating the best added value for the customers. Relations between team mates and manager are one of the main keys to the management system, where everyone is responsible for their own career project, by demonstrating technical as well as people-focused skills on the ground. Decathlon only recruit people who are passionate about sport with values: sport-enthusiastic, full of vitality, service minded, and practical. These criteria are linked to the passion for sport and business, both of which have been the driving forces since the time Decathlon was founded. They are also linked to the company culture, where they value free and frank, direct relationships and believe in the talent of each and every one of their team mates.

“We’re not looking for a typical profile fit; rather the ability to be autonomous and responsible, to predict and plan ahead, and to take responsibility for personal goals and career plans. We’re looking for people who will help us to surpass ourselves, who are open-minded with regard to others and who possess natural leadership qualities” - Ravi Sinha, HR, Decathlon Sports India.

Decathlon gives an atmosphere to its team mates to play sport and enjoy physical activity. One of the elements shared by the entire team is playing sport during or outside working hours, either alone or as part of a get-together. It’s a great means for strengthening cohesion and creating links outside the usual areas of work-related discussions- not to mention a clever way to test out our products! Depending on the country, Decathlon issues the team mates’ with a discount card (giving them between 5% and 25% off, depending on the items and the country concerned), and may also refund certain sports activities.

Building loyal customers at Decathlon

Decathlon is one such brand which has made sports accessible to the common man of the country and thus it has become the synonym of sports retailing in India over the past few decades by positioning itself as a one stop shop for family. Apart from the product they offer they have created the point of differentiation by giving an experiential shopping- “experiencing outdoor”, which encourages customers to try things out before buying. The major reason behind the unbridled market penetration and success is their unparalleled Retailing strategy. They have never failed in creating a proper blend of marketing, selling and production concepts. Over the past few years the French retailer has made a fine tuning in order to create a label in the market. The company has adapted cognitively to the Indian market through proper proliferation and diversification, the T-900 Kashmiri willow cricket bat is one among many such examples. When looking at their pricing they have product category ranging from a shoelace, costing rupees 9, to a racer bicycle costing rupee one hundred and thirty-five thousand, which is also a major reason for the growth of decathlon in a very price sensitive market like Indian by delivering value to money products. They are not selling much of luxury products but they do sell quality products at a “low-premium” price.

The major criteria for their segmentation and targeting is based on the socio-economic factors like income, hobby, profession and generation. Even the product proliferation of the brand is based on such factors mentioned above. If we look at the store locations of Decathlon in India, we would be able to identify the same. Out of the 71 decathlon stores in India, 32 are in southern parts of the country in which 15 are in Karnataka (In that 11 are in Bangalore). That means 45% of their stores are targeting the 20% population of the country. They have just a single store in North-eastern part of India (in Assam) and also, they don't have a single store in state like Bihar, J&K and Jharkhand (but the customers can shop online). They tapped the markets which are sustainable and have enough potential customers to be viable.

The promotional strategy of decathlon revolves on building customer loyalty. Something which is very unique with Decathlon is that they don't indulge in any of the celebrity endorsement, they believe that their customers itself are their brand ambassadors. The French retailers place reliance on the power of “word of mouth” than the fancies of celebrity endorsement, so they give supreme priority in developing customer loyalty

through various off line programmes, on line programmes and also by engaging customers. Decathlon makes use of social media for transferring the good will through its connected users. *“Mensa Cakir, a marketing and e-commerce manager, says that people would believe a friend’s recommendation more than a celebrity and also it’s not the brand but the end user of a brand is talking to you, which is more powerful than many of the other kinds of promotional activities”*. Decathlon also believes that it’s six to seven times more expensive to acquire a new customer than retaining an existing customer. The loyalty will also lead to higher frequency of sales and less lead time to convert a customer from a prospect to transacted. According to decathlon, a loyal customer will spend 70% more than a normal customer. So, there is no wonder in developing a marketing and promotional strategy which reckon on building customer loyalty.

In a nut shell the strategy to develop customer loyalty is encompassed of four factors:



1)

Know your customers: know your existing customers and future customers, know whom do you want to talk to. It includes families, kids, young adults, people who are interested in sports and people who want to maintain a healthy life style.

2) **Stop mass and go one to one:** It doesn’t mean that Decathlon is addressing every customer one to one and has arrested itself from addressing the audience as a mass, the retailer makes them feel that they are talking one to one, not only off line but also online. They will try to treat a customer as he/she is the only customer they have; which is the back bone of their relationship management.

3) **Invest Time, not just money:** Invest time to understand your customers, interact with them, go outside the box, to know more about their needs and wants.

4) **Monitor and measure:** No business can be managed if it fails to measure its indices, decathlon measures the loyalty, retention rate, NPS etc to benchmark themselves. They make use of social media to know what people talk about them, they monitor and measure it carefully with the help of online monitoring tools, which is very import in this digital age. In social media the French retailor also find it so important to interact with the customers. Which increases the customer engagement and gives them a message that decathlon is listening to them.

Supply Chain strategy

Decathlon is dedicated to adherence of code of conduct for their suppliers and sub-contractors. The suppliers sign a contractual agreement on human rights in areas such as child labour, workplace discrimination, working hours etc. In the manufacturing and supply agreement, the supplier adheres to producing only in verified and declared locations. To analyse how these suppliers, meet the norms, Decathlon does a regular check of their manufacturing sites and organization. They have recently chosen DHL to partner with visibility over its global shipping operations. It would help in providing IT and Freight solutions for Decathlon's Supply chain.

The retailers provide demand requirements to finished goods supply production leaders, who in turn communicate to component procurement managers, then they give requirement information to different manufacturing units, then the country in which manufacturing unit is located is selected by price, flexibility, lead time. The country of origin should pass minimum technical standard required; they have a top flop model analysis on seasonal basis.

Visual Merchandising

The basic understanding of visual merchandising is the way in which retail setting of a store attract or engage its customers.

In decathlon, visual merchandising has been a key driver in attracting the customer base. All decathlon stores are huge structures with minimal infrastructure cost. But the huge warehouse store gives the customer their best experience throughout.

Decathlon in Hosur Road, has a huge premise, which gives it enough space for expansion and temporary engagement. The basketball court in front of the store is one of many things which attracts and makes them engaged. IT professionals from electronic city and the students from the surrounding areas are the regular visitors who may have a try at the court. Majorly because of the limited Sport space and facilities in the Bangalore city it can be inferred that this strategic initiative of Decathlon has given rise to the blooming turf culture. Basketball matches and competitions are regularly conducted by both decathlon as well as by their loyal customer base. This attracts many sports enthusiasts.

The store is structured in a way that it provides maximum space efficiency and optimization in a retail setting. The entrance leads to a wide hallway and this area is dedicated for the trending products of the season. In winter, they put up the winter jackets, clothing's, gloves, shoes etc in both sides of the alley. In summer they showcase the summer wears, gears and summer sport equipment's. The lanes have been set according to the product price range. For an example let's take Winter jackets, the first product in the rack will be of the lowest price (the basic winter jacket with minimum value proposition) and both the price and the value addition increase as we go further. And in each price category (e.g. Basic winter jacket) there will be different colours which will be separated by each rack. Taking the example of a Black Basic winter jacket, the products are vertically stacked according to their sizes from big size at the top to small size at the bottom. This has been practised for all the product segments. This stacking makes it easier for customers to easily find the right size for the desired product, even though the customers usually mix it up. And on top of this rack there will a demo of the product. This demo gives the first attraction to the product and visible price labelling of the product makes things easier for customers.

As visual merchandising is all about making it easier for customers to locate the desired category and merchandise. Decathlon had made it perfect by the store layout. The main hallway ends at the bi-cycle section. The most expensive merchandise in the store. Decathlon doesn't want any of its customers miss their high value product category. In the Bi-cycle section there are variety of products which address a wide price range(₹.5000-₹.1,00,000).This segment is the best example of space optimization , the arrangement of the cycle is in such a way that it is easier for the customers to take a test drive and also do window shopping. The cycle gears are located right opposite to the bi-cycle focal point which makes it easier for the current customers. The INFO Board in the cycle segment is an efficient way to inform its customers, and there is always a decathlon support staff at your service. The cycle repair centre is the on the right side of the entrance which makes it easier for the customers coming for repairs.

Like cycling Decathlon segments its store into a different sports category, Table tennis, Basketball, Badminton, Football, Golf, Gymnastics, Roller-skater etc. Table tennis board in decathlon is giving the customer a space to practise and checkout their favourite rackets and other gears. This is an all in one stop for table tennis where you get your Shoes, Clothing, Ball, Racket, Table, Net and Post for your table tennis. Basketball, Badminton, Football, Golf, Roller-skater products are categorised in a specific layout so that different sport enthusiast can explore their area. This can also be seen as a way to attract a customer (basketball player) to other sports like table- tennis. Decathlon is all about exploration, you get a chance to experience sports and the world class sports gears. The Gymnastic segment is the most interesting section which focus on customers with home-based physique training. There are treadmills, power rack,bench, machine fly etc which will give an experience of how they use it and how well they fit in their home.

Some interesting thing decathlon does to engage customers is the random challenges or sports they conduct in events if it rains outside etc. They also conduct the Trek Camps, Shootout competition, Table tennis competition which will increase customer footfall and indirectly give promotions and sales to the Decathlon Sports. The temperature, light in the retail setting is managed in such a way that the customer in the area lose track of time and engage more on the shopping time. The layout is structured to make the customer see, explore, touch and buy the product.

Retail Mix of Decathlons



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