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LEADERSHIP & BUSINESS PODCAST

EPISODE 215: NAVDEEP GUPTA – A RETAIL DESTINATION

Navdeep Gupta

Can you create a concept store that, if that store opened right across the street from our existing DICK'S sporting goods store, that this new store will put the existing DICK'S sporting goods store out of business?

Female Voice

From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats: the full-time, the part-time, the online, and the executive MBA. For more information, visit wm.edu.

Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. Sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. If you're an athlete or someone close to you is an athlete, you've most likely spent time in a DICK'S sporting goods store. Depending on where you live, the next time you visit your neighborhood DICK'S sporting goods, you might be surprised. DICK'S has launched its House of Sport, a new type of sporting goods store. DICK'S House of Sport isn't just about sporting goods. It's experiential. And there's a tie to the community. Navdeep Gupta is Senior Vice President and Chief Financial Officer at DICK'S. He says the new stores have been embraced by customers, employees, and suppliers. He joins us today to talk about DICK'S House of Sport, how the concept was created, and where it's headed. Here's our conversation with Navdeep Gupta, Senior VP and CFO of DICK'S Sporting Goods.

Ken White

Well, Navdeep, thanks very much for taking time to be with us today. It's nice to see you.

Navdeep Gupta

Ken, thank you so much. This is exciting time to be coming back and speaking about an interesting concept.

Ken White

Yeah, no doubt about it, you know the house of sport is so interesting. Everybody I've met who has seen one can't wait to tell you about it and talk about it. What do people see and do when they go there? What's it look like?

Navdeep Gupta

Yeah. So, we call it that there are four key pillars around which the House of Sport concept was created. So, the four pillars that we talk extensively as part of every new store that we open: it's about experience, it's about service, it's about community, and it's about product. So those are the core foundational pillars on which the House of Sport is built. Virtually everything that we do in House of Sport is around the concept of creating an engagement and an elevated athlete experience. And so, just as a thought, we call our consumers as athletes, we call it that. It's all built around the athlete experience. So it's about merchandising standard. When you go and go into a walk into a DICK'S sporting goods, you will see merchandising display. The visual appeal of the store is going to be dramatically different than anything else that you may have seen. Even within the DICK'S sporting goods store itself, there is a clear focus around community involvement. We want this to be not just your store, to go and buy the product. We see this as a hub where the community can come together and engage collectively, not just within the store, but as a community also. We talk a lot about the brands the way the brands are. Brands are very important part of retail, but they have to be showcased in a way that differentiates and how that brand itself is presented to the athlete, how the athlete actually experiences that brand. And then we talk a lot about the experiences. So if you walk into a house of sports store, there are house of sports stores that actually have a 15,000 to 20,000 squat field that is attached to the store. So when you're buying a baseball bat, when you're buying a cleat, you want to be able to experience that cleat on a normal turf on which you will be actually going and experiencing that. So you should be able to buy the product, walk out onto the field, and actually experience the product. Some of the stores have batting cages, or we call them the multi-sport cages, that if you're buying a baseball bat, you want to be able to explain the bat, you want to be able to feel the bat. If you're buying a baseball glove, you want to be able to experience that glove. If you're buying golf equipment, we have trackman simulators. Each of these stores will have three or four trackman simulators that you can actually go and swing the golf club and see what it is to use that product or even get fitted for it. So it's all about athlete, it's about brand, it's about community, and it's all about experience.

Ken White

When you talk about athletes, is there a particular age, or is it pretty much all over the landscape?

Navdeep Gupta

No. We love every athlete. Every athlete, that we say, has an aspiration of trying to better themselves. We talk about bettering your best. You have a dream that you want to accomplish, right? Sometimes, I want to be just a better swimmer. Sometimes, I just want to be a better runner. So it's not just who you are, but what type of sports that you have ambitions with. And we want to be able to kind of provide a good destination for all of the athletes that have their own personal dreams, and we hopefully can bring some of those dreams to reality.

Ken White

And you mentioned square footage. Am I correct in assuming most of the house of sports locations are larger than your typical store?

Navdeep Gupta

Yeah. So DICK'S prototype is around 50, maybe as high as 80k. But the House of Sports locations are typically 100 to 120,000 square foot locations and may actually have a field attached, but adds another 15 to 20,000 square foot on top of that.

Ken White

How did you choose your locations?

Navdeep Gupta

I would say that it started out as, when we started out, the first two stores were opened up where we were thinking to relocate our existing stores, and we said, let's go test out this concept in Knoxville, Tennessee, and then Victor, New York. And those were where we had a really good performing box. The store was coming up for lease term, and then we decided to relocate. But since then, we have become significantly scientific about which market, how large the market is, what the addressable population there is, and we're really excited about that. We'll be opening ten new House of Sports locations in 2024.

Ken White

Fantastic. The old term out of the textbook is a concept store. Is it, or is it more than that?

Navdeep Gupta

Yeah. When you think of a concept store, you tend to think in terms of, it's about discovery, it's about learning, it's about offering something different type of an experience. So, as I think about the House of Sports locations, we call them these are concepts. We were trying to better understand how can we serve an athlete in a very differentiated way. They originated as a concept, but I would say we have so much of

confidence and how well the concept itself has resonated that we are much more in the rollout phase.

Ken White

Yeah, no doubt. Where did the idea come from?

Navdeep Gupta

So there's a nice little story behind it. Our Executive Chairman, Ed Stack, it was probably in 2017 2018. He challenged the organization, and it was actually one of the meetings that we have as a town hall that we do for the full leadership team. And he challenged the organization to say, can you create a concept store that, if that store opened right across the street from our existing DICK'S sporting goods store, that this new store will put the existing DICK'S sporting goods store out of business. And that's kind of the disruptive thinking that at DICK'S sporting goods, we challenge ourselves a lot. And so this was like, rather than somebody else coming and disrupting your model, how do you not think about something that can be radically so different and new that can disrupt your own existing one? So that's how this idea came about. It was an internal challenge given by our Executive Chairman, Ed Stack.

Ken White

Yeah, how fun. Let's run ourselves out of business by creating something new. That's fantastic. I assume people immediately got on board with that and had some fun with it.

Navdeep Gupta

Well, I would say took us almost about a decade. The challenge was given. We went back to the drawing board. We actually drew it and said, no, this is not different enough. And we just put it on cold storage for several years. And then we came back during COVID and said, okay, we have new things that we have learned. Let's go test this out. And so, I wouldn't say it was a straight journey right after the challenge. It was quite a lot of trials, tribulations, putting it on a cold shortage and then bringing it back out.

Ken White

What's the customer reaction?

Navdeep Gupta

Oh, it's been fantastic. We have been so happy with how well the stores have resonated, and we look at it through multiple angles. So, an athlete is one of the most important angles. The community involvement is really important. Right. Is the field actually getting used? And we convert the field, like for example, in Minnetonka, we converted the field to an ice rink during the winter months. So now you can have the community teams come

there and use the ice rink for their own local games, or they are doing the combines. There are training classes being held in the field that we have attached to the store. So, the community has embraced it really well. We look at the drive time radius; how far is an athlete wanting to travel to come to this? And we are seeing that the average drive time is almost three times as large as what it is for a normal DICK'S sporting goods store. But then we looked at beyond that to say, is this resonating with our brands? And our brand partners have said that this is the best presentation of their products in any location, even including their own locations or the stores that they manage. And then, we looked at it also through the lens of, if you can imagine, real estate community; the landlords are really important constituents in this value chain as well. And the landlords feel that we are bringing a new form of theater, a new form of excitement to the malls. And so it's resonated with them also very well. And then financially, it has to make sense, and couldn't be happier with the results that we are seeing across all four of these pillars.

Ken White

We'll continue our discussion with Navdeep Gupta in just a minute. Our podcast is brought to you by the William & Mary School of Business. The Financial Times, Bloomberg Businessweek, Princeton Review, and US News and World Report have all named the William & Mary MBA program one of the best in the US and the world. If you're thinking about pursuing an MBA, consider one that has world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you: the full-time, part-time, the online, and the executive MBA. Check out the MBA program at William & Mary at wm.edu. Now back to our conversation with Navdeep Gupta, Senior VP and CFO at DICK'S Sporting Goods.

Ken White

What about employees, those in the stores? What do you hear from them?

Navdeep Gupta

It's really a different type of an experience, right? They find that this is such. And then, first of all, the athletes love it. So it makes their jobs much easier. But they are appreciating the fact that there is big focus around not just selling, but it's about service, and it's about servicing not just the product, but our athletes as well. And so it's been, overall, the level of engagement from our team, the level of theater that is available within the store has all been very well received by our teammates as well.

Ken White

You know DICK'S has always been about community. You were on the podcast several months ago, and we talked about what you do in Pittsburgh, where you're located, building a school, and so forth, and offering supplies and making sure kids have the

equipment they need to play with. That seems to be such a big pillar of the organization, correct?

Navdeep Gupta

Absolutely. We say that you have to be able to engage with the community and find opportunities to actually give back to the community. And to your example, we have provided opportunity for 2 million additional kids to be involved with sports. And the challenge we ask ourselves is, if these kids are not playing sports, what else could they be doing out there? And sometimes you don't end up in the right answers or answer for those questions. And so we feel this is the right way to give back to the community, actually be much more involved, member of the community itself on a local level, and then continue to be part of the community and servicing that community.

Ken White

My question is, per square foot, did the number of employees have to increase? Does that basically stay the same?

Navdeep Gupta

It does go up because you have like. So for example, the House of Sport location has a climbing wall. And so now you have dedicated team members that are available to be able to help the athletes climb the wall. Right? We have a dedicated area to be able to provide servicing. So if you have a tennis racket that you want the tennis racket to be strung or lacrosse string to be strung, or do you want your bike to be teched out, we have a service area, so there's definitely a bigger focus around service engagement with the community. You have the community marketing managers, or community leads that engage with the community to all these types of community events. So definitely more team members as well.

Ken White

Yeah. And I would assume different type of team members, hourly workers that you've had in the past.

Navdeep Gupta

Yeah. You're looking at a leadership level that is different, as well as you're looking at an hourly lead that is going above and beyond just then selling the product but also providing that differentiated experience. What we call as the solution, selling. Right. You have to be able to understand the problem identify what opportunities you have with the product or with the service that you have available in the store to be able to meet the athlete's demand.

Ken White

From a financial standpoint, do you consider it a success at this point?

Navdeep Gupta

Yeah, absolutely. We'll share more details as you can imagine. Right. Three years, few stores is not enough of a sample. But with twelve stores now open, and we actually opened eight of them, or nine of them, actually, in 2023. So, our sample set is so limited. But the results that we are seeing from a financial perspective couldn't be more happier about them.

Ken White

Can you even compare time in-store since the store is that different?

Navdeep Gupta

Yes. So we have technology within the store that we can see. What's the dwell time like, how often, first of all, an athlete is spending going to different parts of the store? How often are they going there? How long are they staying? And so these are not in every store, but we look at in samples of stores and continue to see how best do we create what we call as curation of the product, the adjacencies of the product, and continue to refine and learn through that data.

Ken White

As someone who loves the old-school DICK'S store, I'm assuming you probably have to practically drag people out. I've talked to a few students here who've gone to one. There's one not too far from Williamsburg who actually spent the better part of an entire Friday night going down. So I assume some people really spend some time there.

Navdeep Gupta

Yeah, I think so. I'm guilty of that myself every time. And I've gone to all of these locations that every time I go. And I know I can spend a couple of hours and find a lot of unique products that I find it attractive each time I go.

Ken White

Everybody listening regardless of their field, they're always thinking of new ways. What's next? How do we innovate? Just in general, the retail landscape, do you think this is sort of where it's heading, the experience versus the old-school store?

Navdeep Gupta

Yeah, I think so. One of the things that is not very well understood. Sometimes, retail is construed as an old way of format or old way of doing business. What people don't realize

is the amount of data, and the analytics that is going into the new form of retail is parallel to lot of other industries. So imagine, right? I'll just give an example. DICK'S carries \$3 billion worth of inventory. We have 800 different points of distribution. Now, think of the math problem that you have there. That first of all, which 3 billion do you buy, how often do you buy, how deep do you buy, what size do you buy? And then now you have to do the reverse calculation to say, okay, how do I tape all of this data or the product that I bought in different sizes, color profiles? How do I allocate that effectively to the 800 points? And now you have six distribution centers. So what is the most efficient routing this product to? Should it go directly, or should it go through across Doc? How often should you be sending it? So we tend to sometimes put retail as an old format of doing business, but the amount of data, the analytics, the amount of new and innovative ways of thinking is just phenomenal, and so we not only love the fact on what we are doing with House of Sports but how much amount of personalization information that is getting used, how much amount of data and how effectively do we buy, how effectively do we curate the product, how effectively do we throw the product? All part of new ways of thinking that is being implemented across the company.

Ken White

The passion for your job is obviously in your voice. I see it in your face. What are the few things that you really like about what you're doing?

Navdeep Gupta

I'm an athlete by heart. I love to run. I love to work out. To me, first of all, like I said, it's a theater. When I walk into the store, just because I can not only appreciate the product, but I know what I'll be using it in my own personal life. So, my appreciation starts from the product. And then the team that I work with is probably that second highlight that I would give. The third is there are not many people that are familiar with we have a very interesting product portfolio as well. So, from a finance perspective, we have a BC firm that we started about two years ago within the company where we are making small equity investments into unique products. Unique type of capabilities that we could be bringing to our athletes. We actually own a platform called as game changer. Game changer, from a youth sports perspective, is the best tool out there for video broadcasting, scorekeeping, and just the engagement with the youth athlete. And so it's like, not just about retail; it's about unique things that we are doing within the company that keeps it really exciting.

Ken White

That's our conversation with Navdeep Gupta, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program offered in four formats: the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program at wm.edu. Thanks to

our guest, Navdeep Gupta, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

Female Voice

We'd like to hear from you regarding the podcast. We invite you to share your ideas, questions, and thoughts with us by emailing us at podcast@wm.edu. Thanks for listening to Leadership & Business.