

RETAIL FIREARMS SALES IN THE U.S.: EVIDENCE ON BEST PRACTICES FROM TWO FIRMS

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ABSTRACT

This case study compares sporting goods retailers Academy Sports + Outdoors and DICK'S Sporting Goods, Inc., to identify cross-industry leadership best practices. Despite both companies operating in the same industry, Academy Sports + Outdoors earned \$6.4B in net sales in 2022, while DICK'S Sporting Goods, Inc. generated over \$12.4B in net sales in 2022. The study examines their strategies and responses to mass shootings in the United States (U.S.), revealing contrasting approaches. The analysis highlights the critical importance of aligning brand identity with customer preferences by evaluating their messaging, outcomes, and anticipated pushback. Customers today are highly attuned to corporate activities, requiring effective leadership to understand their base, consistently address issues aligned with their values, and develop strategies for potential repercussions. This study offers valuable insights into aligning brand identity with customer preferences, drawing from two companies' divergent approaches to social issues.

JEL: M1, M3

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INTRODUCTION

Gun violence has caused a significant political divide in the U.S. and has been at the forefront of political policy. Throughout history, the U.S. has enacted gun control measures after specific concerns prompted Congress to act. The first gun control measure was the National Firearms Act of 1934 (Bureau of Alcohol, Tobacco, Firearms and Explosives, 2020). This legislation used taxation to curtail gang violence after high-profile incidents like the St. Valentine's Day Massacre. In 1968 the Supreme Court of the U.S. ruled portions of this law unconstitutional and rendered it unenforceable. Then in 1968, Congress passed the Gun Control Act of 1968 after the high-profile assassinations of President John Kennedy, Attorney General Robert Kennedy, and Dr. Martin Luther King, Jr (Bureau of Alcohol, Tobacco, Firearms and Explosives, 2022). With the Nation in shock after multiple high-profile assassinations and rising crime, Congress was forced to act, but it didn't come without opposition (Waxman, 2018). The National Rifle Association (NRA) expressed disappointment with the law but ultimately conceded. Over a decade later, the NRA experienced a leadership change brought on by a segment of the association that did not feel that the organization was doing enough to protect the rights of gun owners. The organization became more politically involved, and President Ronald Reagan became the first political endorsement of the NRA. President Reagan later spoke at the NRA convention, and the organization helped influence the Firearms Owners Protection Act of 1986.

In 2021 the U.S. experienced 61 active shooter incidents resulting in 103 deaths (Gramlich, 2023). According to the FBI, active shooter incidents are situations where an individual or group of individuals attempts or kills people in a populated area. Between the years 2000 to 2005, the U.S. experienced a total of 37 active shooter incidents, with an average of seven per year. In contrast, the five-year period ending in

2021 saw 192 incidents, averaging 38 per year (Gramlich, 2023). The five-year period ending in 2021 had more active shooter incidents per year than the entire five-year period experienced at the beginning of the century. Due to a legislative stalemate in the U.S., corporations have been put under a microscope for their actions, or lack thereof, after mass shootings. Two companies, DICK'S Sporting Good, Inc. (DICK'S) and Academy Sports + Outdoors (Academy), faced backlash for their contrasting positions. In 2021 DICK'S President and CEO Lauren Hobart was reflecting on her company's decision to stop selling assault rifles and said, "The fact that we could follow all the rules and sell this guy a gun when he clearly shouldn't have had one really just was the last straw" (Harris, 2021). In the wake of the shooting at a Parkland, Florida high school, DICK'S decided to stop selling assault rifles and increase the age to purchase a gun from one of their stores. This decision was made despite knowing it could cost the company millions, putting it at the forefront of a national debate around firearms. Academy faced a lawsuit after the perpetrator of a mass shooting in Sutherland Springs, Texas, purchased an assault rifle used in the attack at one of their stores (Waller, 2021). In the aftermath, the organization promised to become one of the most responsible firearm dealers, but no changes were made to the sale of firearms (Academy Sports + Outdoors, n.d.). Both organizations, operating within the same industry, have seen success and growth despite having vastly different responses to the shootings. A common assumption is that organizations within the same industry generally follow similar paths. An example would be the trend of fast-food restaurants' more healthy alternatives. So why, when facing similar pressure, would two highly successful companies in the same industry take such a differing stance on such a controversial topic?

This case study compares Academy Sports + Outdoors and DICK'S Sporting Goods, Inc., two sporting goods retailers, regarding their financial performance and responses to mass shootings. Despite operating in the same industry, Academy Sports + Outdoors earned \$4.5B in 2019, while DICK'S Sporting Goods, Inc. generated over \$9.5B in 2020. The analysis underscores the significance of aligning brand identity with customer preferences, emphasizing the need for effective leadership in understanding and addressing customer values.

LITERATURE REVIEW

In spirit, Environmental, Social, & Governance (ESG) programs within corporations are not new; iterations have existed since the 1980s (Peterdy, 2023). In the 1980s, Environment, Health, and Safety (EHS) programs were designed for corporations weighing how to reduce pollution and increase labor and safety standards. In 1989 the massive Exxon Valdez oil tanker spill leaked 11 million gallons of oil into the ocean off the Alaskan coast (Lubber, 2019). This was the worst oil spill in the history of the U.S., causing substantial damage to the local ecosystem. This incident caused a number of investors and environmentalists to form a coalition to re-evaluate the role companies have as stewards of the environment. The group was called the Coalition for Environmentally Responsible Economies (Ceres), and within months they established a code of conduct for companies to follow. Ceres built a global network of investors and nonprofits, enabling them to play a significant role in advocating for corporate responsibility. The creation of Ceres and the response to the Exxon Valdez spill demonstrated the beginning of a shift in the business world (Lubber, 2019).

In the 1990s, EHS evolved into Corporate Sustainability, which focused on reducing corporations' environmental impact beyond what was legally required. In 1991 activist Jeff Ballinger published a report outlining the poor working conditions and low wages of people in Indonesia who produced Nike products (Nisen, 2013). After these reports, Nike became a global symbol of abusive labor practices, and the company continued to face public outrage. Numerous protests continued to damage the company's reputation, and in 1998 Nike faced poor demand for their product. In 1998 the company facing financial pressure acknowledged its association with "slave wages, forced overtime and arbitrary abuse" (Nisen, 2013). After numerous efforts, such as raising wages, increased monitoring of human rights and labor practices, and hundreds of factory audits, human rights activists acknowledged that Nike was getting better.

Instead of denying allegations, Nike started acknowledging their errors and became a leader by publishing a list of factories they work with and detailed reports on their conditions. Nike legally could continue down their path, but due to public pressure, it decided to go above the legal requirements and set its own higher standard, much like DICK'S has done with firearms.

In the early 2000s, the next evolution was to Corporate Social Responsibility (CSR). CSR is when corporations started to get more actively involved in social causes as a form of corporate philanthropy. Starbucks has stood out over the years for several of the benefits provided to its employees. In 1988, the company took a notable step by offering health insurance to all full and part-time employees (Mohn, 2017). Moreover, they implemented a comprehensive program that included a free college tuition program for employees and a stock ownership program. These initiatives have demonstrated the company's commitment to employee welfare, professional development, and fostering a sense of ownership and loyalty among their team. The company has also made an effort to hire employees from underrepresented groups (Mohn, 2017). Starbucks' history of corporate social responsibility has become part of its identity and brand, which speaks to and engages its customers. The company did not establish itself as a value-oriented brand; their customer is willing to pay more due to the brand and its associations.

DICK'S Sporting Goods decided to govern itself when it announced that it would stop selling assault-style rifles and high-capacity magazines and increase the purchase age to twenty-one, even though no law required them to do so (Harris, 2021). DICK'S is a company that has incorporated Environmental, Social, and Governance principles into its business practices. The organization has taken public stances, not just on guns, but various issues such as environmental protection, abortion, and racial and gender inequality. DICK'S Sporting Goods is forthright with this purpose and strategy. In 2020, the company published its "2020 Purpose Playbook," which outlines several social issues its competitors do not venture into (DICK'S Sporting Goods, 2020). In the playbook, CEO Lauren Hobart outlined the company's commitment to their employees, inclusion and diversity, youth sports, the planet, and the company's sustainability strategy. The playbook outlines the company's strategy and progress on inclusion and diversity. The organization adopted goals including maintaining a median gender pay ratio of 100%, achieving 50% BIPOC and women for entry-level hires in technology by 2025, increasing black and indigenous people of color (BIPOC) representation in leadership roles by 30% by 2025, and improve the overall representation of women in store leadership to 40% by 2025 (DICK'S Sporting Goods, 2020).

The organization has outlined its commitment to zero tolerance for racism and discrimination and increasing employee representation and transparency by conducting over 100,000 hours of anti-racism and discrimination bias training (DICK'S Sporting Goods, 2020). DICK'S has also been working to ensure diversity with its suppliers and vendors. The company has prioritized suppliers owned and operated by underrepresented groups, and they plan to establish benchmarks to establish spending goals for diverse suppliers. Additionally, the organization "invested \$12.5 million in the Black Economic Development Fund (BEDF) to fuel minority lenders and anchor institutions and businesses as part of an effort to close the racial wealth gap" (DICK'S Sporting Goods, 2020). DICK'S signed the "We Are Still In" declaration stating their support for the Paris Climate Agreement (DICK'S Sporting Goods, 2020). Citing their detrimental environmental impact, the company committed to removing all single-use plastic bags from its stores by 2025. By the end of 2020, the organization had replaced single-use plastic bags with paper bags in 15% of its stores (DICK'S Sporting Goods, 2020). The company has a recycling rate of 70% for its stores and operations, and it established a "climate action goal" of reducing greenhouse gas emissions by 30% by 2030 (DICK'S Sporting Goods, 2020).

Dick's Sporting Goods

It started with \$300. At 18, Dick Stack worked for a local Army surplus store in Binghamton, NY. Dick was an avid fisherman, and when the Army surplus store owner wanted to get into the fishing supply

business, he asked Dick what he needed (DICK'S Sporting Goods, n.d.). After Dick made his suggestions, the owner told him he was a dumb kid and didn't know what he was doing. Dick quit the Army surplus store, and his grandmother gave him the \$300 needed to start a bait-and-tackle store in 1948. Not long after that, the product offering expanded to include work clothing, sportswear, and camping equipment, and in 1971 a second location was opened in Vestal, NY. The company continued to grow, and in 1984, Dick's children bought the company. His son, Ed, assumed the role of Chairman and Chief Executive Officer, and subsequently, the store's offerings continued to grow. By 1996, DICK'S had reached 50 stores in the U.S.; by 2000, DICK'S had reached its 100th store in the U.S. In 2002, DICK'S went public, and after that, it grew rapidly. By the end of 2006, DICK'S had 294 stores, and in 2012, DICK'S opened its 500th store.

DICK'S Sporting Goods in 2022

According to DICK'S March 2022 Investor Presentation, the company operated 861 stores across 47 states by the end of 2021. 730 of these stores were traditional DICK'S locations, and the remaining 131 were specialty concept stores, which included Golf Galaxy, Field & Stream, Public Lands, and outlet stores (DICK'S Sporting Goods, 2022). In 2021, DICK'S opened two new prototype stores called DICK'S House of Sport. This new prototype "will explore the future of retail through multi-sport experiences inside and outside the store, broad integration with the community, elevated customer service that will rely on passionate and skilled employees and enhanced technology for ease of connection with the brand" (DICK'S Sporting Goods, 2021b). DICK'S reported an increase of 28.3% in net sales from 2021 to 2022 while also increasing its market share within the sporting goods retail industry to 8%, up from 7% in 2019 (DICK'S Sporting Goods, 2022). Nearly two-thirds of the U.S. population is within a market that DICK'S serves, with 861 stores that generated \$1.52B in net income in 2021 (DICK'S Sporting Goods, 2022).

DICK'S Mission, Business Model, and Strategy

The mission of DICK'S Sporting Goods is to "create an inclusive environment where passionate, skilled and diverse teammates thrive, create and build leading brands that serve and inspire athletes, make a lasting impact on communities through sport, and deliver shareholder value through growth and relentless improvement" (DICK'S Sporting Goods, 2022). DICK'S has tried to be at the forefront of development within the sporting goods retail space. They stand out by developing new store concepts, technology, and loyalty programs compared to their peers. DICK'S created a new prototype store called House of Sport which "features a 17,000 sq. ft. outdoor turf field and running track, a rock-climbing wall, a batting cage with HitTrax™ technology, golf hitting bays with TrackMan™ simulators, a putting green, the company's first-ever 'House of Cleats' that will seasonally rotate products, a health and wellness destination to help customers with recovery and well-being, and a consolidated service area for breaking in gloves, stringing lacrosse sticks and building/repairing bikes" (DICK'S Sporting Goods, 2021b). DICK'S engages its customers in non-traditional methods by focusing on visual presentation, enhanced service, and in-store technology that the organization hopes will strengthen and evolve its customer base.

DICK'S database had over 140M customers representing 80% of sales, and its loyalty program, "Scorecard," had over 20M active customers representing at least 70% of sales (DICK'S Sporting Goods, 2022). Customers who participate in the loyalty program spend 1.6x more online with DICK'S than non-loyalty customers (DICK'S Sporting Goods, 2022). In addition to the ScoreCard loyalty program, DICK'S also offers the ScoreRewards credit card, which offers sign-up bonuses, and additional loyalty rewards points earned for every purchase using the ScoreRewards credit card (DICK'S Sporting Goods, n.d.). DICK'S acquired the GameChanger media in 2016, the focus of which is online scorekeeping for youth sports leagues. The application is intended to enhance the youth sports experience by handling communication, scheduling, scorekeeping, and video streaming. The application, which is highly rated on the application stores, is robust and offers various pricing levels to fit the needs of all youth sports leagues.

Additionally, DICK'S is likely to gain knowledge from the data being captured by the application and increase its customer base, as young athletes using the application are likely customers of DICK'S.

DICK'S carries a large variety of national brands. According to the DICK'S Sporting Goods (n.d.) website, the company claims that these key partners choose to invest in a partnership with DICK'S because of the reputation that the company has earned with its customers. DICK'S works directly with its partners to enhance the experience for their customers, such as launching a partnership with Nike to create a connected marketplace within the DICK'S app. DICK'S has relationships with over 1,400 vendors. Still, Nike accounts for 17% of merchandising purchases, making Nike their largest vendor, as no other vendor relationship accounts for more than 10% of purchasing (DICK'S Sporting Goods, 2021a).

A significant focus of the company is its in-house brands, referred to as vertical brands. The vertical brand focus is a crucial strategy for DICK'S, and in 2021, sales surpassed \$1.7B, with these brands offering a much higher margin in the range of 600-800 bps (DICK'S Sporting Goods, 2022). In 2021 this accounted for 14% of total sales making vertical brands DICK'S second largest vendor (DICK'S Sporting Goods, 2022). DICK'S owns several "vertical brands" and has licensing partnerships with vendors to offer exclusive products only sold at their stores. Having committed to reflecting its core values, the company designs and offers clothing that is inclusive in its sizing and reflects these values in its product offerings and marketing materials. To optimize the assortment and meet the needs of its customer base, the company monitors performance and reallocates space within the store if a category is not producing. An example of this was the hunting section, in which, after low performance, the organization reallocated this space in all but 100 DICK'S and Field and Stream stores (DICK'S Sporting Goods, n.d.).

Leveraging their over 800 stores, DICK'S can fulfill a substantial number of orders by directly shipping from their stores, with 70% of online orders being fulfilled through the store network (DICK'S Sporting Goods, 2022). A strategic focus of DICK'S has been developing its omnichannel operating model, the goal of which is an agile model that will serve its customers in various convenient ways. The organization has focused considerable resources on its omnichannel strategy and is seeing results. One-hour and in-store pickup has been added in recent years, and customers considered omnichannel athletes account for 65% of sales and spend more than twice as much as single-channel athletes (DICK'S Sporting Goods, 2022).

In 2013, ship from store was made available at all its stores, making every store in the country a distribution center, and in 2014 buy online and pick up in-store was launched in all stores (DICK'S Sporting Goods, n.d.). In 2018, DICK'S opened its fifth distribution center, and in 2019, DICK'S expanded its Conklin, NY distribution center to become the first direct-to-consumer distribution center. In 2020, DICK'S launched contactless curbside pickup. According to the 2022 Investor Presentation, 70% of eCommerce sales were fulfilled by stores, with greater than 50% mobile penetration and a total eCommerce penetration of 21% of total net sales (DICK'S Sporting Goods, 2022). The company's net income rose from 5.53% in 2020 to 12.36% in 2021, which was helped by a 9.53% decrease in distribution costs (DICK'S Sporting Goods, 2021a).

Human Capital Management

As of January 2022, DICK'S had 17,800 full-time employees and 33,000 part-time employees (DICK'S Sporting Goods, 2021a). Like most in the retail industry, these numbers fluctuate throughout the year and hit their peak during the 4th quarter holiday season. The company's cultural promise is always striving to do the right thing. This philosophy has also impacted the human resources side of the organization, where the company has committed to equal pay for equal work. When establishing and maintaining wages, the organization "achieved 100% female-to-male unadjusted median pay ratio" with an average female pay of 97% of males (DICK'S Sporting Goods, 2021a).

Academy Sports + Outdoors

Academy Sports + Outdoors (Academy) was established as a small family tire shop in San Antonio, Texas, in 1938. It transformed into a military surplus store before offering the sports and outdoor equipment it is known for today (Academy Sports + Outdoors, n.d.). Max Gochman started the company, and after rebranding the store to Academy Super Surplus and expanding to military surplus products, he relocated the company to Austin, Texas, and expanded to four stores. In 1948 Arthur Gochman, the son of Max purchased a surplus company in Houston, Texas, opened six additional stores, and changed their name to Academy Corp. The corporate offices were relocated to Houston in 1978, and the company moved into a 50,000 sq. ft. warehouse in 1981. Shortly afterward, Academy started adding athletic brands and opened its first big box store in 1988. By 1990 the company had grown to 28 stores across the state of Texas, and they purchased their corporate headquarters building in Katy, Texas. The early 1990s was a transformational period for the company as it expanded outside of the state of Texas and exited the military surplus business. As the company's sales surpassed \$100M, it was rebranded as Academy Sports + Outdoors, and by the year 2000, the company had opened its 50th store and was operating in seven states (Academy Sports + Outdoors, n.d.). The growth continued over the next decade with sales crossing over \$2B, the addition of multiple new stores in four additional states, the opening of the company's first 100,000 square foot store, and the opening of their second distribution facility in Georgia (Academy Sports + Outdoors, n.d.). In 2011 the company was acquired by Kohlberg Kravis Roberts & Co. L.P., a leading investment fund, and Rodney Faldyn, the first non-Gochman, was named CEO. Academy grew and added an eCommerce retail site and stores in four additional states, reaching \$4B in sales by 2014. The company surpassed 250 stores and opened its third distribution facility before completing its Initial Public Offering and becoming listed on the Nasdaq Global Select Market exchange under ASO in 2020 (Academy Sports + Outdoors, n.d.).

As of the beginning of 2022, Academy operated 268 stores in 18 states generating over \$6.8B in sales (Academy Sports + Outdoors, 2022). Academy is a “highly recognized, super-regional sporting goods and outdoor recreation retailer” (Academy Sports + Outdoors, 2022). Academy remains headquartered in Katy, Texas, and has three distribution centers in Texas, Tennessee, and Georgia. Academy operates 29% of its stores in the country's top five fastest-growing metropolitan statistical areas and has continued to grow a strong eCommerce presence, with sales growth of 153% in 2021 compared to 2019 (Academy Sports + Outdoors, 2022). Academy's mission is “Fun for All” and they outlined the following items as critical differentiators for the company (Academy Sports + Outdoors, 2021a). These characteristics are value-based, having a wide range of products, an omnichannel strategy, customer loyalty, regionally focused in the southeast, convenience for active families, significant Whitespace opportunity, and a strong financial profile. Strategically Academy is positioning itself within desirable and growing markets in the southeastern U.S. To capitalize on their growth, they focus on providing value, a wide variety of products, convenience, and a robust omnichannel strategy. The mix of assortment and value provides Academy customers with various options that can fit any budget (Academy Sports + Outdoors, n.d.).

Merchandise Offerings

Academy owns a variety of private-label brands. Brands include Magellan, BCG, Academy, Outdoor Gourmet, O'Rageous, Game Winner, Brazos, The Original Austin Trading Co, Agame, Brava Soccer, H20 Express, Marine Raider, Monarch, Mosaic, Ozone 500, and Feely (Academy Sports + Outdoors, 2022). These brands range from sporting goods, hunting equipment, boating equipment, bicycles, clothing, and grills. Some of the organization's top-selling items have been Academy-branded items, with 20% of sales coming from an Academy-owned brand in 2021 (Academy Sports + Outdoors, 2022).

Employment

According to the 2021 Annual Report, as of 2022, Academy had more than 22,000 employees, 50% of which were full-time (Academy Sport + Outdoors, 2021a). Racial and ethnic diversity among district and mid-level corporate management increased by 22% and 11%, respectively, since 2017 (Academy Sports + Outdoors, 2020). In 2020 the company outlined its commitment to diversity with the following statement:

At Academy Sports + Outdoors, we promote a culture of diversity, inclusion, and belonging, which should be reflected in the actions and behavior of our Team Members. Diversity is inviting all players to join the team, and inclusion and belonging is when everyone gets to play the game. Every player is key, and we are only successful when everyone has an equal opportunity to play and win (Academy Sports + Outdoors, 2021a).

Marketing and Promotion

Academy Sports' marketing strategy is to increase target marketing and use of the Academy credit card. It has also focused on leveraging technology to increase its omnichannel penetration (Academy Sports + Outdoors, 2022). The company has invested \$230M since 2011 in its omnichannel and information technology initiatives. In 2020, they reached 6.3M households in 47 states online, with 14% of online purchases from states without an Academy store (Academy Sports + Outdoors, 2021b).

RESULTS

Academy Sports and DICK'S are successful companies operating within the same industry, but their service segments differ. Academy Sports has no loyalty program and describes itself as providing customers with more "everyday value" and product offerings than other sporting goods retailers (Academy Sports + Outdoors, 2021b). Academy is a value-oriented company, and in investor filings, they describe the company as "the largest value-oriented sporting good and outdoor recreation retailer in the United States" (Academy Sports + Outdoors, 2021b). DICK'S positions itself as a higher-end offering, while Academy offers everyday value, and an example of this is its price match policies. DICK'S offers a price match guarantee, but Academy will beat competitors' prices by 5% (Academy Sports + Outdoors, n.d.; DICK'S Sporting Goods, n.d.). Customers will notice that sports, such as golf, are more of a focus at DICK'S, whereas Academy focuses shelf space on activities such as camping and hunting. Golfing households have a median income of \$85,000 per year compared to hunting households which have a median household income of \$57,000 per year; therefore, it is logical that Academy would position itself as a more value-oriented store than DICK'S, which offers more of a premium experience and price point (NSGA, n.d.). The differences between the organizations do not stop at core business strategy. On social issues, each organization has positioned itself differently. DICK'S has positioned itself as a more socially cautious or progressive company than Academy, which has not pivoted from its traditional approach to business and social issues. The social issue demonstrating the contrast between the two companies is their public approach to firearm sales.

Firearms

For a long time, firearms have been a standard product at sporting goods retailers, especially those with hunting and fishing backgrounds. In 1994 Bill Clinton signed an assault weapons ban into law after a mass shooting in Stockton, California, which made assault rifles a forbidden fruit. In 2004 the federal ban on assault weapons ended, and the AR-15 reemerged in an American culture that was consuming realistic shooting-style video games for the first time (Gibbons-Neff, Ismay & Watkins, 2018). The AR-15 signified freedom and was even called America's rifle by the National Rifle Association. The name AR-15 and assault rifle is a vague phrase that captures various types of rifles. Still, the common bond between these

types of semi-automatic rifles is their connection to numerous mass shootings. According to their critics, the gun industry has tried to rebrand this weapon category into something more palatable by referring to them as modern sporting rifles. Americans' propensity to buy firearms has not decreased, as 19.9M were purchased in 2020, the second-highest amount in a year (Walsh, 2022). In 2021 the U.S. recorded highs in total gun deaths and mass shootings, registering 20,726 fatalities and 693 shootings involving four or more injuries (Walsh, 2022). In 2012 a gunman used an AR-15 to kill twenty children and six teachers at Sandy Hook Elementary School, reigniting a national debate about firearms, especially assault rifles (Bomey & Hafner, 2018). This prompted Ed Stack to remove assault rifles from the shelves of DICK'S stores across the country, but the company received backlash and would later reverse course and put assault rifles back on the shelf at their stores nationwide. In 2016, after a mass shooting in Orlando, Florida, Academy encountered protests after the store announced that it would no longer predominately display assault rifles. Still, they would continue to sell them at their stores (FOX 2, 2016). Academy issued guidance to their stores to remove weapons resembling assault-style rifles from highly visible locations, but that action alone was insufficient in the eyes of many (FOX 2, 2016).

In November 2017, a man opened fire at a church in Sutherland Springs, Texas, killing 26 people with a Model 8500 Ruger AR-556 purchased from Academy in Selma, Texas (Waller, 2021). The assailant tried to purchase a rifle from DICK'S in 2015 but was denied the purchase by the store manager because he had out-of-state identification; however, only a few months later, he was able to purchase the assault rifle used in the attack at Academy (McGaughy, 2019). The gunman would go back to that same Academy store and purchase additional magazines and ammunition for the assault rifle. Academy was sued for selling the assault rifle to the perpetrator, and after numerous appeals, the Texas Supreme Court ruled in June of 2021 that the retailer could not be held liable because it was the federal database that failed to flag the shooter's background, and that the retailer had followed all federal regulations (Waller, 2021). According to their website, Academy continued to see revenue growth despite the incident and proceeding legal battles, which had relatively little financial impact when the company completed its initial public offering in 2020 (Academy Sports + Outdoors, n.d.).

In 2018 a gunman took the lives of seventeen people at a high school in Parkland, Florida, and after finding out that the perpetrator had purchased a shotgun at one of their locations a year prior, Ed Stack made the controversial move of becoming the lone retailer to take a stance on gun sales (Thomas, 2019; Visram, 2021). The company made headlines when it decided to cease selling assault-style rifles and high-capacity magazines and increase the age to purchase a firearm from 18 to 21. In subsequent years, they completely removed guns from hundreds of their stores. Other companies would later take similar positions, but DICK'S was alone and willing to deal with the attention a decision like that would bring. Lauren Hobart continued with the momentum after she was appointed CEO. In an interview with Ainsley Harris of FastCompany, Lauren Hobart explained the organization's concerns after the shooting in Parkland. In an approach exemplifying the organization's self-governing philosophy of always striving to do the right thing, Hobart said, "the fact that we could follow all the rules and sell this guy a gun when he clearly shouldn't have had one really just was the last straw" (Harris, 2021).

This approach caused boycotts, and the National Rifle Association claimed the company was punishing law-abiding citizens, but over the long term, the move helped the organization realize that gun buyers were not their core customers (Visram, 2021). Due to the political backlash and loss of sales, DICK'S estimated it would lose \$250M (Harris, 2021). Additionally, instead of returning \$5M in assault rifles to manufacturers, Stack decided, despite the bottom line, to destroy the inventory to avoid those weapons being sold (Bates, 2019). Stack told CBS News, "If we really think these things should be off the street, we need to destroy them" and emphasized that DICK'S stance on firearms sales changed when "mass shootings began to happen more frequently" (Bates, 2019). Hobart felt that moving away from firearms helped the organization clarify its focus, which was more inclusive of women and people of color who would not have always felt like a traditional sporting goods store was the right place for them. By the end of 2020, the

company had stopped selling firearms in 340 stores (DICK’S Sporting Goods, n.d.). Year after year, revenue continued to increase, with a 10% increase in 2020, fueled by increased interest in outdoor activities during the COVID-19 pandemic and high margins on private-label brands (Visram, 2021). According to industry analyst Matt Powell, the profit margin on guns is much lower than other products DICK’S sells. Moving away from this category could allow the company to reallocate store space toward more profitable product offerings (Visram, 2021). After the mass shooting in Parkland, Walmart and DICK’S changed their firearm sales policies, limiting purchases to those over 21 years old. (Ripley, 2018). Academy faced similar public pressure but resisted and issued the following statement:

We serve a broad base of customers, and outdoor sports, including hunting and shooting sports, are an important tradition and recreational activity for many of our customers and their families. We are strongly committed to ensuring the legal, safe and responsible transfer of firearms. We follow all applicable regulations relating to the sale of firearms and regularly review our internal policies and processes to ensure our legal and responsible sale of firearms and encourage safe usage and ownership. As a Federal Firearms Licensee, we support the Fix NICS Bill to strengthen the background check system and require greater compliance with the law. (Ripley, 2018)

Academy has not pivoted from this position that firearms can be sold responsibly and continues to sell them at all its stores. In the 2020 Environmental, Social and Governance (ESG) Progress Statement, available on its website, Academy CEO Ken Hicks outlined that “our goal is to be the most responsible seller of firearms in the country” (Academy Sport + Outdoors, 2022). For Academy, firearms are integral to a sports and outdoors retailer.

Purpose vs. Profit

Financially DICK’S and Academy are strong financial companies targeting different sporting goods retail market niches. DICK’S has a much larger footprint, with 861 stores in 47 states, compared to Academy, which has 268 stores in 18 states. (DICK’S Sporting Goods, 2022; Academy Sports + Outdoors, 2022). In 2022 DICK’S had annual net sales of \$12.4B and averaged \$14M net sales per store, roughly half of their smaller but primary competitor, Academy, which had net sales of \$6.4B and an average of \$24M in net sales per store (DICK’S Sporting Goods, 2023; Academy Sports + Outdoors, 2023). Academy has taken a far less aggressive approach to firearms than DICK’S. As outlined in this case, DICK’S has positioned itself as a socially cautious and progressive company offering products tailored to middle and upper-middle-income customers. DICK’S has a culture that strives to be at the forefront of social issues, many of which have been divisive topics in which other retailers have chosen to be less vocal or involved. DICK’S is a progressive company that goes beyond legal requirements and sets its standards and ethics, and its approach to firearm sales highlights this. Many companies, Academy Sports included, have not taken strong stances on social issues and often attempted to remain neutral to avoid alienating their customers.

There is not a clear winner from a financial perspective. DICK’S has more earnings than Academy, but that is more a factor of the size of the organizations. Both companies have seen revenue growth and continue to grow since taking public stances on firearm sales. Academy’s geographic positioning and allegiance to the firearm community have favored them. Both Academy and DICK’S have identified the market segments they are looking to serve and have crafted a strategy and brand that aims to align with the customers' values within those segments. Ethically, each organization's position can be debated, but the success both achieve, with different approaches, seems to provide credence to a great ethical divide on this topic. The trajectory and outlook for both companies is strong, and both will likely continue to see increased growth, so there is no silver bullet when handling social issues. The most successful approach will depend on who the organization is trying to serve and if the messaging aligns with that group's values. Both DICK’S and Academy received pushback on their decisions involving firearms. This is a hot topic, as evidenced by the political attention this issue receives, and as with politics, having a clear direction on who you are trying to

serve is critical to success. Clearly, there is room in the market for both companies to exist and flourish, even if a segment of the population does not agree with each company's approach.

Best Practices

Consumers have increasingly wanted businesses to be socially aware. According to a study conducted by Sprout Social, 70% of consumers feel it is important for businesses to take a stand on social issues (Sprout Social, n.d.). The potential benefit of taking a social stance may not be that high, with only 36% of consumers saying they would purchase more products from a company with which they are aligned on social issues (Sprout Social, n.d.). A majority, 66%, of consumers believe that companies can make real change, with 67% believing that companies are effective at raising awareness around social issues (Sprout Social, n.d.). Being perceived as genuine is a problem facing many companies looking to take a stand on social issues. A majority of consumers, 53%, believe that companies only take social stances for public relations or marketing purposes, so it is an uphill battle for companies looking to engage in social causes (Sprout Social, n.d.). Companies have tried and failed to take a social stance successfully and ultimately angered everyone, including their target market. In a 2017 Super Bowl ad, Pepsi ran a commercial featuring Kendall Jenner handing a can of their soft drink to a police officer watching a Black Lives Matter protest (Victor, 2017). The commercial received sharp backlash in all forms of media, and Pepsi quickly issued an apology. Even after the apology, "millennials' willingness to buy a Pepsi plummeted to its lowest level in at least eight years, according to YouGov BrandIndex" (Rainey, 2020). The public will notice if a company takes a social stand that is inconsistent with its brand or does not appear genuine. Jia Wertz (2021) noted in the article "How Social Values Drive Consumers To Brands" that "transparency coupled with authenticity resonates with consumers" and "when brands get this right while supporting causes that are important to their customers, it even further solidifies customer loyalty and trust with those brands." A company's stance on social issues needs to be genuine, or consumers will recognize that.

Being genuine is not the only hurdle, and remaining neutral may not always be an option. Companies face more pressure than ever to take a side on social issues. The days of corporate neutrality appear to be ending, as only 23% of consumers feel that brands should never take a stance on a social issue (Sprout Social, n.d.). As older generations pass, this trend will likely continue since younger demographics feel strongly about companies taking a stance on social issues, with 80% of millennials and Generation Z believing that companies should take a stand, while only 58% of Generation X agree (Sprout Social, n.d.). In an attempt to remain neutral, former Disney CEO Bob Chapek attempted to keep the company out of legislation pending in Florida. Chapek reluctantly took a stance on Florida's "Don't Say Gay" legislation after facing backlash for his inaction (Maruf, 2022). After the legislation was introduced in the Florida Legislature, Chapek elected to email Disney staff but refused to issue a public statement citing his belief that corporate stances on social issues rarely have an impact. After Disney employees staged walkouts protesting his inaction, Chapek issued a public statement against the legislation and apologized to Disney employees. The statement condemned the legislation and stated that the company would pause political contributions in Florida. This statement caught the attention of Florida Governor Ron DeSantis, who went on the defensive and labeled Disney as woke. The intense political battle continued when, in response to Disney's position, the State of Florida enacted legislation to strip Disney of its ability to operate as a quasi-government overseeing its Florida resort properties. This special designation had a significant tax advantage for Disney. After facing multiple challenges, including parks and movie theaters being closed for the COVID-19 pandemic, Disney reported losses of \$1.5B in the fourth quarter of 2022 (Maruf, 2022). This led to Chapek stepping down as CEO and former CEO Bob Iger returning as CEO, which increased Disney stock by 7% overnight after being down 38% on the year (Maruf, 2022).

DICK'S has successfully navigated a hotly debated social issue with a strong strategy. After making the decision, the company committed to it, communicating the message with conviction in media appearances, all while developing a business plan to recapture lost revenue (Hawkins, 2022). DICK'S has continued to

donate and advocate for gun control measures since taking their stance on guns, demonstrating that this was not a publicity stunt. The conviction of their message and follow-through has helped DICK'S avoid becoming a PEPSI. They also avoided falling into the trap of neutrality as Disney did. Academy has also successfully navigated this topic. Although they took an opposite stance than DICK'S, it shows that consumers are divided on the issue. Academy strongly affirmed its desire to remain in the firearms business, which is something from which the company has not wavered.

A company needs to understand its market because being neutral may not be an option. If required to take a stance, the company must take a stance that should align with its core value as a business and, ultimately, with their consumer. This is emphasized in the division among consumers. According to Sprout Social (n.d.), 55% of consumers “would boycott or discontinue shopping with brands that support public issues that don't align with their views [and] 34% of consumers will decrease their spending with a brand whose stances they disagree with”. This can be a difficult target to hit since most consumers across the political spectrum believe companies should take a stand on social issues. For consumers who identify as liberal, 79% agree with companies taking a stand compared to 67% of moderates and 65% of conservatives (Sprout Social, n.d.). With the country trending more and more towards a desire to shop at retailers with the same beliefs, this may explain the strategies of DICK'S and Academy Sports. Liberal consumers are more likely to want a company to take a stand on social issues, and DICK'S has been vocal about its positions on many left-leaning social issues. In contrast, Academy Sports has chosen to be vocal on gun rights, an essential stance for conservatives in the U.S. From a bottom-line perspective, there is neither a winner nor a loser. Both companies appear likely to achieve growth and success in the long term. They have accomplished this by firmly standing for their core values, clearly communicating them, and having a business plan to accommodate revenue losses for consumers who may not align with their values. Picking the correct side is less critical than firmly standing for your beliefs within a more socially conscious retail landscape.

CONCLUDING COMMENTS

A Path Forward

Corporations no longer have the luxury of being socially agnostic. Escalating public pressure has transformed the business landscape, where corporate inaction is now seen as complicity. The legal complexities surrounding firearms in the U.S. go well beyond the scope and goal of this paper. Therefore, potential political action that corporations could spur has not been examined. Instead, this research has clearly demonstrated the importance of determining a corporation's identity, defining its market, and crafting ESG principles that align with the market they intend to serve. DICK'S and Academy have grown rapidly and catered their brands to their markets. Being socially agnostic is no longer a safe alternative. Every corporation should establish ESG principles that align with its values and be transparent about where the organization stands on the issue that matters most to its customer base. Nike battled public backlash until, financially, they were forced to change, and now, they have become the model of transparency on the issue of human rights (Nisen, 2013).

This paper has several limitations, including the scope being limited to two retailers in the sporting goods industry. Other retailers could be investigated to evaluate the impact of their actions in the aftermath of mass shootings. Additionally, only publicly available data was accessible, so internal company data or perspectives were not considered, which could limit the depth or accuracy of this analysis. Additional research should be completed to understand better how cultural and regional differences play into the business decisions of DICK'S Academy and other organizations. Further evaluation of crisis management and what each company did well and not well in the aftermath of mass shootings could be studied. Research on this could provide valuable insight into crisis communication and stakeholder engagement. At the time of publication, the firearm topic continues to be a subject of intense debate, and DICK'S and Academy are

still figuring out their path forward. Future research could be conducted to incorporate additional financial performance data as the situation continues to evolve.

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