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## CHALLENGING SPORTS AUTHORITY IN PUERTO RICO

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*Shirley Ann Molina, Valerie Rivera and Victor Quinones wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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### INTRODUCTION

In October 2013, the first retail unit of U.S. chain Sports Authority, Inc. (SA) opened in Ponce, Puerto Rico. One month later, Shirley Molina, the marketing and operations manager for Shooting and Outdoor Distributors Inc. (SOD), a family-owned business and wholesaler of hunting, fishing and camping goods, received a visit from one of the company's clients. The client, an owner of a sporting goods store also located in Ponce, came into her office holding a newspaper and looking worried. "Did you see this morning's paper?" he asked. "These people are selling many of your brands to final customers, and at lower prices. Since I sell your brands, particularly in hunting goods, it is going to hurt my business." SA meant intense competition (perhaps even store closures) to local sporting goods retailers, a number of whom were Shirley's clients.

After the retailer left, Shirley reflected on the implications of SA's presence in Puerto Rico, not only for her retail clients but also for SOD (in 2013, the company had seen a reduction in sales for the first time since her father started SOD). SA had some distinct advantages over local companies. First, SA probably bought items directly from manufacturers because of the quantity and volume of its purchases, whereas this was not the case for local retailers who purchased goods from SOD. SOD's presence could be adding costs to retailers and, thus, to the price paid by final customers. Second, as the concerned client had noted, some of the brands once exclusively available in Puerto Rico through SOD were also sold by SA because its inventories were purchased in the United States. Third, SA had established its first unit in Ponce, but a possible expansion to San Juan, the capital of Puerto Rico, meant more SOD retail clients could be impacted by SA's presence.

Shirley began to formulate possible solutions to the problems posed by SA but she knew that she would need the approval of Luis Molina, her father and the owner of SOD, who was out of the country on a business trip for two weeks. She advanced three possibilities, not necessarily mutually exclusive: (1) Create a private label, initially for a well sold hunting rifle, an option already under consideration by Luis, even when he was not aware of the SA threat; (2) Open two or three SOD retail stores at locations where SA might not expand; and/or (3) Expand SOD to Latin American and Caribbean markets through drop-shipment agreements<sup>1</sup> with its suppliers, since her father had exclusive distribution contracts with U.S. manufacturers for these territories.

Although Shirley focused on the three options listed, she also thought of those U.S. manufacturers that had exclusive distribution contracts with SOD and whose goods were also sold locally at SA in Ponce. Would the manufacturers ask SA to buy their local inventories from SOD once they became aware of SA's presence? Shirley believed that they should, since SOD held exclusivity contracts for selling goods from these U.S. manufacturers in Puerto Rico. However, the manufacturers may allow SA in Puerto Rico to continue ordering goods from their central warehouses in the U.S., then transport these goods to the island and sell them through its local units. If they did so, it could be considered a breach of contract (meaning a possible legal battle for SOD against these manufacturers). The Dealer's Act<sup>2</sup> protected SOD's exclusive distribution contracts, but it could involve a long litigation process, the use of resources for issues not directly related to the marketing of SOD's products and the possibility of losing the case in court.

Shirley expected that her father would consider the options she had developed and have a strategic roadmap implemented by the first or second quarter of 2014.

## **THE SPORTING GOODS SECTOR**

### **The Hunting, Fishing and Shooting Market in Puerto Rico**

Statistics from Puerto Rico's environmental protection agency (Departamento de Recursos Naturales y Ambientales, (DRNA) indicated that, as of early 2014, at least 6,153 individuals were enrolled as hunters on the island, excluding poachers. Records also showed that at least 1,800 people worked as commercial fishermen and were legally enrolled under the DRNA parameters. In addition, approximately 95,000 individuals practiced fishing as a sport or hobby.<sup>3</sup>

With regard to firearms, there were approximately 110,000 licences for the possession of firearms issued on the island. Recorded imports to Puerto Rico of shooting merchandise showed that between 2009 and 2013, there was an increase of 58 per cent in the amount of air guns and pistols imported (from 12,520 to 19,758), equivalent to an increase of 35 per cent in monetary value (US\$391,340<sup>4</sup> to \$528,050) (see Exhibit 1A).<sup>5</sup> Data regarding the fishing category showed that between 2009 and 2013, there was a 686 per cent increase in fishing articles imported (from 2,637 to 20,721), equivalent to a 159 per cent increase in monetary value (\$231,465 to \$599,490) (see Exhibit 1B).<sup>6</sup>

### **The Sports Retailing Industry in the United States**

According to Richard K. Miller and Associates Research Reports, the sporting goods market had consistently experienced a steady increase in total sales each year. SA occupied the third place in market share in 2013.<sup>7</sup>

## **SHOOTING AND OUTDOOR DISTRIBUTORS INC.**

### **History**

Founded on July 31, 2009, by Luis F. Molina, SOD was located in the rural town of Corozal (see Exhibit 2). Its lines of products included sporting goods for hunting, shooting, fishing and camping, products for self-defense, such as pepper sprays and stun guns, and law enforcement items, including batons, handcuffs and bullet proof vests, among others. Its management team consisted of Luis, the president and key salesman, and Shirley, the marketing and operations manager. Three other employees were part of the organization: one in charge of sales in the hardware division and two additional persons who sorted merchandise as per retailers' purchases.

Initially, SOD distributed approximately 10 known brands, with lines sold to sports retailers located all over Puerto Rico. The company's inventory was stored in an 1,800 square foot warehouse owned by Luis. In 2009, the company held exclusive distribution rights for two of the 10 lines that it marketed.

In 2010, the company developed a website ([www.sodpr.com](http://www.sodpr.com)) and Facebook page but neither was updated very frequently to provide marketing support. The website only showed pictures of the brands marketed, and remained underdeveloped. The goal was to create an e-commerce site for retail clients to submit orders, and for end consumers to review SOD's brands and products. As result of its weak online presence, SOD was primarily promoted via business directories and trade shows. Luis did not want consumers to position SOD as a retail store, so he did not use media to promote either his wholesale business or the brands sold.

In 2012, SOD was registered as a corporation under Puerto Rican law, with Luis holding all of the company's shares.<sup>8</sup> At the time, SOD already distributed goods for more than 50 U.S. manufacturers. This required significant space, so Luis added 2,200 square feet by purchasing a vacant building near the existing warehouse. That year, searching for further opportunities to expand the business, he started to look for possible manufacturers of a line of rifles exclusively branded for SOD.

Also in 2012, Shirley graduated from the University of Puerto Rico with a bachelor's degree in advertising and public relations, and began working at SOD. At the time, she was in charge of creating catalogues and flyers for the company to distribute at trade shows. Within a year, she was also managing the warehouse and learning the financials of the company since it was her father's intention that she would eventually become president of SOD. To improve her managerial and financial skills, she began her MBA in 2013.

Early in 2014, SOD marketed more than 50 brands, 25 of which were sold under exclusive verbal distribution contracts with U.S. manufacturers. By the first quarter of 2014, SOD had 582 clients, 300 of whom were active clients (those who purchased more than two times per year). Clients included owners of sporting goods stores, fishing stores, hobby shops, hardware stores and civilian stores that sold military items. These clients mainly had small retail stores either located in downtown areas, close to neighbourhoods, or at shopping malls (see Exhibit 3). Top clients — close to 10 per cent of those considered active — had between 15 and 30 days to pay for inventories purchased from SOD; all other clients were required to pay at the time that inventories were supplied. It was usual for clients to call and order by phone, although they could visit the warehouse and buy directly as well. A private truck contractor delivered the goods purchased within 24 hours after an order was placed. SOD's accounts payable took between 30 to 60 days. Luis and the rest of the SOD team knew virtually all of the clients personally. A majority of the company's clients felt satisfied with the quality of service provided by SOD.

### **Financial Performance**

From 2009 to 2012, SOD's sales showed growth in absolute figures, but not in terms of percentage growth rates. The fact was that sales grew at a slow rate between 2010 and 2012, and then showed a negative growth rate between 2012 and 2013. In its first year of operation (2009), SOD marketed 10 brands and approximately 30 lines of products. From 2010 on, it continued to add more brands to its portfolio, which increased sales (see Exhibit 3). Shirley studied these numbers, the balance sheet (see Exhibit 4) and the income statement (see Exhibit 5). She believed that sales should have shown better results and that the negative growth rate between 2012 and 2013 was unacceptable. She calculated some financial ratios and considered the risks involved in terms of liquidity, profitability and solvency for SOD. Shirley focused especially on 2013, since in that year, sales revenues had shown negative results for the first time in the company's history. Clearly, SA's presence was not to make things any easier. Shirley felt

that rather than spending so much time on SOD's daily activities, Luis should dedicate more time to visit with clients — particularly gun shops and civilian stores that sold military goods, since sales to these types of retailers showed signs of growth: \$68,650 in 2009, \$244,675 in 2010, \$290,138 in 2011, \$320,084 in 2012, and \$335,553 in 2013.

### **BRAND EXCLUSIVITY**

Hunting was SOD's largest category for sales (see Exhibit 3). Therefore, it was likely to be the line of products most affected by SA's arrival. According to the retailer who had visited Shirley, SA was selling similar brands of hunting goods as SOD, even though hunting goods belonged to a category in which SOD had 24 verbal agreements of exclusive distribution with the most recognized brands in the industry.<sup>9</sup> Even suppliers with whom SOD did not have exclusive agreements redirected any business from Puerto Rico to SOD.

### **ADDITIONAL COMPETITION**

Many of SOD's products were also available for purchase either through the Internet or in brick-and-mortar retailers located throughout the island, such as Walmart, Kmart and Sears.

#### **The Internet**

A number of websites allowed consumers to purchase the kind of products sold by SOD at competitive prices and have them delivered to their doors. Four of these sites specialized in selling air guns and accessories, archery products and ammunitions.<sup>10</sup> Puerto Rican consumers could also visit Amazon.com and eBay.com, among others, to purchase hunting and fishing goods.

#### **Walmart, Kmart and Sears**

Products available from Walmart, Kmart and Sears that competed with SOD offerings were centred on fishing goods. Typically, the fishing category was represented by the following items: bait (20 product lines available), rods (five), hooks (five), line (three) and tackle boxes (two), among others. These stores' prices were comparable to the wholesale prices paid by retailers to SOD.

#### **Sports Authority, Inc.**

Founded by Jack Smith, former chief executive officer (CEO) of Herman's World of Sports, with the help of a group of venture capitalists, SA's first unit was inaugurated in Fort Lauderdale, Florida in 1987. In the same year, SA was incorporated as a public company. In accordance with Smith's goal to create a chain of megastores, the company had established eight units by 1990.<sup>11</sup>

After studying SA and anticipating its growth potential, Joseph Antonini, former chairman of Kmart Corporation, acquired the chain for \$75 million in March 1990. By 1994, 71 per cent of the company went public for approximately \$270 million; it opened its 100th store (with the financial help of Kmart) and had \$838 million in sales, \$16.9 million in earnings, more than \$250 million in equity, approximately \$37 million in cash and cash equivalents, and an absence of long-term debt. The following year, in 1995, SA reached \$1 billion in sales.<sup>12</sup>

By 2003, SA had more than 205 stores when it merged with rival sports retailer Gart Sports Co. (which had two other sports stores under its chain: Oshman's and Sportmart).<sup>13</sup> Combined, SA and Gart Sports Co. had 385 stores and annual sales of \$2.5 billion.<sup>14</sup> The conversion of all Gart stores to the SA name was completed in 2006, when the company also announced going private through its acquisition by Leonard Green & Partners LP, a Los Angeles-based private equity firm, for \$1.3 billion, including debt.<sup>15</sup>

### **SA in Puerto Rico**

The first SA store in Puerto Rico opened on October 19, 2013, in the island's second-largest metropolitan area, the city of Ponce (see Exhibit 3). The store occupied 35,000 square feet in the Plaza del Caribe shopping mall. SA CEO, Michael E. Foss, was optimistic about this new market entry: "We admire Puerto Rico's sporting legacy and are excited to introduce the brand to a new market. We look forward to providing great value and outstanding service to the families, athletes, and fans in the Ponce community."<sup>16</sup>

According to a market study by Alexander Babbage and U.S. census data, Plaza del Caribe served around 590,000 customers. It also generated more than \$595 in sales per square foot — i.e., \$381,395,000 in annual sales for its 641,000 square feet. When compared with U.S. metrics for shopping malls, Plaza del Caribe's consumer activity exceeded that of comparable malls in the United States, with 93 per cent of market penetration (versus an average of 65 per cent for the United States), 3.3 buyer visits per month (versus 2.8 for U.S. customers), clients who spent an average of 80 minutes shopping (versus 70 minutes) and average spending of \$85.67 (versus \$70.07).<sup>17</sup>

### **LAWS REGULATING EXCLUSIVE DISTRIBUTION IN PUERTO RICO**

Although she had not yet confirmed that SA was selling the same brands that SOD had exclusive distribution agreements for in Puerto Rico, Shirley knew that the contracts were protected by law if SOD needed to sue its U.S. suppliers for violation.

Shirley had taken a course for her MBA on laws affecting the marketing efforts of middlemen. There she learned of the Dealer's Act, which barred manufacturers from cancelling exclusive distributor contracts without a valid business cause; otherwise, manufacturers had to compensate distributors for cancelling such agreements. As per the Dealers Act, no manufacturer could cancel an exclusive distributor contract if the agent (or middleman) was doing what was expected and complying with sales quotas. Thus, selling inventories directly to third parties (such as retailers) when an exclusive distribution agreement existed between a manufacturer and a wholesaler was a violation of that agreement.

Another applicable law was the Sales Representative Act. This law stated that "a sales representative was an independent entrepreneur with exclusive character," who made "a sales representation agreement with a principal or grantor, guarantying exclusive sales territory or market within Puerto Rico."<sup>18</sup> The sales representative received a commission on sales made in a specific market or territory. To void the contract, the party had to demonstrate just cause, such as: (1) the principal established facilities in the territory that the sales representative had been granted; (2) the principal assigned more sales representatives to a territory covered in the contract; (3) the principal refused to serve and attend the orders taken by the sales representatives; and/or (4) the principal varied the method used to complete an order or a shipment.<sup>19</sup>

Of course, Luis could have sought legal protection if it was confirmed that U.S. manufacturers had not notified SOD about SA selling their brands and had not compensated for SOD's loss in sales. In that case, Shirley knew that he could legally cancel the applicable contracts with manufacturers and ask to be to be

compensated for SOD's past, present and future marketing efforts with the brand, as the Dealer's Act specified. Alternatively, instead of cancelling the agreement, the U.S. manufacturers could pay commissions to SOD on SA's sales of the brands in question in Puerto Rico. Of course, this last option could prove difficult to implement since it would require calculating commissions on all brands sold by SA in Puerto Rico. SA bought its inventories in the United States and made them available to its stores both in Puerto Rico and the United States. The second option would require SA to tell manufacturers the amount of goods that were sent to the island.

## OPTIONS TO FIGHT SA

Shirley and her father sat down with the intention of developing a plan to protect SOD. Shirley knew from her MBA courses that direct competition with megastores like SA could be disastrous. She considered what her professors had said about guerrilla marketing tactics for small businesses and blue ocean tactics for either small or large organizations. Shirley remembered that guerrilla marketing tactics rely on the use of traditional low-cost, innovative marketing techniques to grab consumers' attention in unusual ways. Typically, the way to confront opponents was through intermittent attacks designed to demoralize them. These attacks would take place in markets in which the opponent lacked presence, mainly to open a permanent space in a market.<sup>20</sup> Blue ocean tactics look for uncontested market spaces where the competition is irrelevant, where a business can invent and capture new demand and offer customers a leap in value while also streamlining costs.<sup>21</sup> The three options that she developed while her father was away used either guerrilla marketing, blue ocean strategies or a combination of the two.

Luis and Shirley limited their discussion to the three options she had developed: (1) to create a private label, initially for a hunting rifle, (other hunting items could be added later with data in hand based on the experience of the rifle); (2) to open two or three retail stores at locations where SA might not expand (and where SOD's own clients were not present); and/or (3) to expand SOD to Latin American and Caribbean markets, initially through drop-shipment agreements with its suppliers since Luis had exclusive distribution contracts for these territories with manufacturers of some of the brands SOD and SA carried.

Luis had been considering the private label option since 2011. He had hoped to develop a lightweight, easy-to-carry .22-calibre pellet rifle (air rifle) with a scope with zoom, which allowed precise shooting, which was also made of synthetic material (plastic).<sup>22</sup> By the second quarter of 2013, Luis was involved in initial negotiations with a Turkish air gun manufacturer to develop a rifle specifically for hunting iguanas, which had overpopulated Puerto Rico and affected crops. This tied in with the DRNA's plan to control the growing population of this species by marketing and exporting the animal's meat for consumption in growing markets on the island as well as internationally.<sup>23</sup> Because of this, Luis intended to position the rifle as *the rifle* to hunt iguanas and also expected it to be distributed exclusively on the island, to isolate the threat of Internet competitors. The manufacturer cost to SOD was estimated to be \$98. Luis thought \$130 would be a suitable selling price for SOD's retail clients. Suggested retail price was \$225 to \$250, to compete with prices charged by e-commerce sites for similar products. Despite all these plans, however, the rifle option had been on hold during the last two quarters of 2013.

Secondly, Shirley and Luis also considered the opening of two or three SOD retail units (after a test market was conducted for a first store), particularly to sell high-price items. The idea was to establish stores in community malls with high traffic, in locations that did not affect SOD's clients' businesses. The architectural design of the store was to be cabin-like, with departments such as fishing, hunting/shooting, camping and law enforcement/self-defense (a small section).

The location for a test store was a 458,353 square foot community shopping mall in the second-most-populated municipality on the island, Bayamón. An added value was that this location was close to the

country's capital city (approximately 15 minutes by car) and very close to public transport stations. It housed local and U.S. retailers and had two anchor stores: Sears and Burlington Coat Factory. The reported population, numbers of households and average incomes for the areas around the mall were: one mile (24,358 people, 9,161 households and an average income of \$28,050), three miles (213,428 people, 70,738 households and an average income of \$34,163) and five miles (480,120 people, 161,238 households and an average income of \$33,164).<sup>24</sup> The leasing space was near the Burlington Coat Factory and was more than 7,558 square feet (84 per cent bigger than the average selling space of SOD's retail clients), with a lease cost of \$28 per square foot.<sup>25</sup> To finance this endeavour, Luis and Shirley evaluated SOD's income statements from 2010 to 2013, to decide whether the company should use internal or external funds, such as a commercial loan (see Exhibit 5). Other first-year costs of operations for the SOD test retail store would include furnishing (\$30,000), maintenance and supplies (\$10,000), inventories (\$250,000), information technology (\$35,000), and marketing for the development of the corporate identity (\$18,000), as well as promotional materials, public relations and other promotions (e.g., store opening).

Expanding SOD beyond Puerto Rico was another consideration since the company had exclusive distribution contracts with some manufacturers to distribute its brands to nearby Caribbean and Latin American markets. SOD had conducted transactions with Latin American clients in Panama and Venezuela through drop shipping.<sup>26</sup>

By January 2014, Shirley knew that she and Luis had to make a decision about which option(s) to implement before the end of the second quarter of 2014. As they considered the company's alternatives, SA's second and third units were still under construction.

**EXHIBIT 1A: IMPORTS OF SELECTION 9304 (SPRING, AIR GUNS OR PISTOLS) TO PUERTO RICO (IN US\$)**

Year	Country(ies)	Total Quantity	Total Value
2009	United States and Switzerland	12,520	\$391,340
2010	United States	9,011	\$351,292
2011	United States, Germany, Switzerland and Poland	6,603	\$451,878
2012	United States	17,812	\$1,028,105
2013	United States	19,758	\$528,050

Source: Junta De Planficacion, www.jp.gobierno.pr/Portal\_JP/Default.aspx?tabid=303, accessed August 15, 2014.

**EXHIBIT 1B: IMPORTS OF SELECTION 9507 (FISHING RODS, FISH HOOKS AND OTHER) TO PUERTO RICO (IN US\$)**

Year	Country(ies)	Total Quantity	Total Value
2009	United States and People's Republic of China	2,637	\$231,465
2010	United States, People's Republic of China and Czech Republic	9,831	\$385,590
2011	United States and People's Republic of China	1,297	\$140,720
2012	United States and People's Republic of China	5,080	\$246,415
2013	United States and People's Republic of China	20,721	\$599,490

Source: Junta De Planficacion, www.jp.gobierno.pr/Portal\_JP/Default.aspx?tabid=303, accessed August 15, 2014.

**EXHIBIT 2: MAP OF THE ISLANDS OF PUERTO RICO SHOWING SOD'S CLIENTS AND SA'S LOCATIONS IN PUERTO RICO BY THE YEAR 2014**



\*Total number of SOD retail clients: 580; Total number of Sports Authority retail units: 3  
 ● = Shooting & Outdoor

Source: Company records, provided by Shirley Molina.



**EXHIBIT 3: SOD'S SALES BY PRODUCT CATEGORY IN 2009 TO 2013 (IN US\$)**

Year	Shooting & Hunting	Self-defense	Fishing	Law Enforcement	Camping	Total Sales
2009	\$143,888	\$11,469	\$4,968	\$77,866		\$238,192
2010	\$657,014	\$79,508	\$79,680	\$121,521		\$937,723
2011	\$839,193	\$69,827	\$114,846	\$134,356		\$1,158,221
2012	\$944,001	\$73,948	\$120,252	\$112,686	\$17,061	\$1,267,948
2013	\$925,841	\$61,792	\$176,096	\$42,922	\$34,168	\$1,240,818

Source: Company records, provided by Shirley Molina.

**EXHIBIT 4: BALANCE SHEET ACCOUNTS (IN US\$)**

	Dec-10	Dec-11	Dec-12	Dec-13 <sup>27</sup>
Current Assets	\$221,319	\$300,185	\$355,400	\$420,771
Net Fixed Assets	14,166	11,738	16,631	23,564
Total	235,485	311,923	372,031	444,335
Current Liabilities	83,448	118,268	130,179	143,290
Long-Term Liabilities	117,201	98,183	77,174	60,660
Total Liabilities	200,649	216,451	207,353	203,950
Retained Earnings	34,836	95,472	164,677	240,385
Total Equity	34,836	95,042	164,677	240,385

Source: Company records, provided by Shirley Molina.

**EXHIBIT 5: SOD INCOME STATEMENTS 2010 TO 2013 (IN US\$)<sup>28</sup>**

	Dec-10	Dec-11	Dec-12	Dec-13
<b>Sales</b>	\$937,723	\$1,158,221	\$1,267,948	\$1,240,818
<b>Direct Costs</b>	<u>576,000</u>	<u>864,000</u>	<u>950,400</u>	<u>991,686</u>
<b>Gross Profit</b>	361,723	294,221	317,548	249,132
<b>G &amp; A Expenses</b>				
Accounting & Legal	3600	5,400	5,940	47,094
Advertising	3,031	4,547	5,001	6,420
Auto Expense	2,844	4,266	4,693	1,452
Computer Expense	719	1,078	1,186	1,431
Licenses and Permits	1,800	2,700	2,970	11,699
Insurance	2,160	3,240	3,564	5,238
Miscellaneous	150	249	350	3,396
Office Expense	1,231	2,030	2,500	2,484
Postage and Freight Expense	18,320	38,562	45,987	49,496
Rent	19,570	19,570	19,570	19,570
Salaries & Wages	18,950	38,420	50,756	86,400
Telephone	2,970	4,455	4,901	1,271
Travel & Entertainment	2,000	3,667	4,000	4,200
Utilities	<u>3,758</u>	<u>5,638</u>	<u>6,201</u>	<u>9,598</u>
<b>Total G &amp; A Expenses</b>	81,103	133,822	157,619	249,749
Operating Profit	280,620	160,399	159,929	-617
Interest Expense	14,299	12,667	10,864	11,294
<b>PROFIT BEFORE TAX</b>	<u>\$266,321</u>	<u>\$147,732</u>	<u>\$149,065</u>	<u>\$-11,911</u>

Source: Company records, provided by Shirley Molina.

## ENDNOTES

- <sup>1</sup> Drop shipping is a supply chain management technique in which a middleman, such as a wholesaler, purchases a large amount of inventory from a supplier, such as a manufacturer, but keeps the inventory with the supplier. Once the middleman receives an order, it is forwarded to the supplier for fulfillment. The supplier will ship the product directly from their warehouse to the middleman's customer, and charge the middleman only for the price of the shipped item. "What is Drop-Shipping?," [www.ecommercefuel.com/what-is-drop-shipping](http://www.ecommercefuel.com/what-is-drop-shipping), accessed May 3, 2015.
- <sup>2</sup> "Ley Núm. 75 del 24 de Junio de 1964- Ley de Contratos de Distribución de 1964," *Lex Juris, Puerto Rico*, [www.lexjuris.com/LEXMATE/comercio/lex1964075.htm](http://www.lexjuris.com/LEXMATE/comercio/lex1964075.htm), accessed May 5, 2015. For a description in English of the Dealer's Act, see Manuel A. Pietrantonio and Ricardo Casellas, "Puerto Rico's Dealer and Franchise Statute Adapts to the Latest Developments in Law, Commerce, and Technology," *Franchise Law Journal*, Summer, 2010, [www.cabprlaw.com/documents/JLJ\\_30\\_1\\_Pietrantonio%20Casellas.pdf](http://www.cabprlaw.com/documents/JLJ_30_1_Pietrantonio%20Casellas.pdf), accessed May 5, 2015.
- <sup>3</sup> Personal interview between Shirley Molina and Maria de Lourdes Olmeda from DRNA on October, 17, 2014.
- <sup>4</sup> All currencies are in US\$ unless otherwise stated.
- <sup>5</sup> Junta de Planificación, "External Trade Data," [www.jp.gobierno.pr/Portal\\_JP/Default.aspx?tabid=303](http://www.jp.gobierno.pr/Portal_JP/Default.aspx?tabid=303), accessed May 3, 2015.
- <sup>6</sup> *Ibid.*
- <sup>7</sup> R. K. Miller and K. Washington, "Chapter 10: Sporting Goods," *Sports Marketing, 2014-2015*, Richard K. Miller & Associates Research Reports, Loganville, Georgia, pp. 62-64.
- <sup>8</sup> The company was registered as a corporation to continue its existence even when the person who established it was no longer involved.
- <sup>9</sup> Verbal agreements were valid under Puerto Rican law. See *Puerto Rico Law Blog*, [www.boricualaw.com/2007/10/02/agreements-vs-contracts-in-puerto-rico](http://www.boricualaw.com/2007/10/02/agreements-vs-contracts-in-puerto-rico), accessed May 3, 2015.
- <sup>10</sup> Websites where Puerto Ricans can purchase air guns and accessories, archery products, and ammunitions include [www.pyramidair.com/](http://www.pyramidair.com/); [www.airgundepot.com/](http://www.airgundepot.com/); [www.airgunsof-arizona.com](http://www.airgunsof-arizona.com), accessed August 15, 2014.
- <sup>11</sup> "The Sports Authority, Inc. – Company Profile, Information, Business Description, History, Background Information on The Sports Authority, Inc.," Reference for Business, [www.referenceforbusiness.com/history2/61/The-Sports-Authority-Inc.html](http://www.referenceforbusiness.com/history2/61/The-Sports-Authority-Inc.html), accessed May 3, 2015.
- <sup>12</sup> *Ibid.*
- <sup>13</sup> "Sports Authority, Gart Agree to Merge," *Reuters, Bloomberg News and Times Staff Reports*, February 23, 2003, <http://articles.latimes.com/2003/feb/21/business/fi-sports21>, accessed February 15, 2014.
- <sup>14</sup> *Ibid.*
- <sup>15</sup> T.J. Ryan, "The Sports Authority to go Private," *SGB*, 2006, 39(3), p. 12.
- <sup>16</sup> "Sports Authority Announces Grand Opening of First Puerto Rico Location," *Business Wire*, October 21, 2013, [www.businesswire.com/news/home/20131021005829/en/Sports-Authority-Announces-Grand-Opening-Puerto-Rico#.VA0XXMJdXni](http://www.businesswire.com/news/home/20131021005829/en/Sports-Authority-Announces-Grand-Opening-Puerto-Rico#.VA0XXMJdXni), accessed January 25, 2014.
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- <sup>19</sup> *Ibid.*
- <sup>20</sup> Jay Conrad Levinson, "Guerrilla Marketing," *Houghton Mifflin Company*, 2007, 4th ed., Boston, Massachusetts.
- <sup>21</sup> W. Chan Kim and Renee Mauborgne, "Blue Ocean Strategies," *Harvard Business Review*, 2004, 82(10), pp. 76-84.
- <sup>22</sup> .22-calibre guns have a large gain in pellet weight and size and are only usable in the highest-powered hunting rifles. The range of the .22 calibre is less than the .20 calibre, and the downrange energy less than the larger .25-calibre pellet. Tom Holzel, "Airgun, Caliber and Pellet Selection," *Straight Shooters Precision Airguns, Inc.*, [www.straightshooters.com/general-airgun-information.html](http://www.straightshooters.com/general-airgun-information.html), accessed April 6, 2014.
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- <sup>26</sup> A consignment invoiced to a wholesaler or other middleman but sent directly to the retailer by a manufacturer. [www.thefreedictionary.com/drop-ship](http://www.thefreedictionary.com/drop-ship), accessed April 12, 2014.
- <sup>27</sup> Numbers are estimates prepared by case authors based on SOD financial information provided by Shirley Molina.
- <sup>28</sup> Corporate tax rates during the years covered in the income statements were 39 per cent (see [www.camarapr.org/comunicados-izq/CP-enero-29-2015.pdf](http://www.camarapr.org/comunicados-izq/CP-enero-29-2015.pdf) for a press release on the issue by the Chamber of Commerce of Puerto Rico (press release is in Spanish)).