

Galyans buyout keeps Dick's on path

CEO Ed Stack has wanted to 'grow the business' from Day One

By J.K. Wall

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As Edward Stack finished up his accounting degree, he had dreams of attending law school.

But his father, Dick Stack, fell ill with heart disease, drawing 22-year-old Ed back home to the same work he did in high school: helping his dad run his two-store sporting goods business.



Edward Stack

Stack agreed to gradually assume control from his ailing father, but with a condition: Dick's Clothing and Sporting Goods would not be a two-store outfit.

"I wanted to grow the business," said Stack, talking from Dick's headquarters in Pittsburgh.

Indeed, he has.

By year's end, Stack, 49, will preside over nearly 240 stores as chief executive officer of the Dick's Sporting Goods chain. That's after Dick's completes its first acquisition -- the purchase of Plainfield-based Galyans Sports & Outdoor and its 47 stores. The \$362 million deal is expected to close in October.

Before hooking up with Galyans, Dick's had always grown by building its own stores. "We had not found any other retailers that we thought would be complementary (to us)," Stack said. "Our strategy and Galyans' strategy has always been to focus on that more 'enthusiast' customer."

The move will expand Dick's into 33 states and keep Stack traveling.

Stack wants to keep Dick's on par with The Sports Authority, the largest specialty retailer of sporting goods. Florida-based Sports Authority has 385 stores in 45 states, boosted by its August acquisition of Gart Sports Co.

After it merges with Galyans, Dick's sales will top \$2.1 billion, it estimates, compared with nearly \$2.5 billion for Sports Authority.

Wal-Mart Stores still dwarfs both companies, selling about \$6 billion in sporting goods. All specialty retailers sell about \$47 billion in sporting goods annually.

Stack's desire to grow the business is common for the children of entrepreneurs, said Eugene Muscat, director of the Family Business Center at the University of San Francisco.

What's not as common is that Dick Stack sold out to his son in 1984, leaving Ed Stack at helm of a small, but well-established firm. Dick Stack died five years ago.

"Even if your father has just two bait and tackle shops, you are so far ahead," Muscat said. "Not to take anything away from what this guy has accomplished, but there was a window of opportunity there and this young man took advantage of it."

From the early days until now, Stack has drawn on his father's lessons. One is to move inventory on and off the shelves fast. That way, Stack said, "you don't have all your working capital tied up."

Today, Dick's has invested more than \$25 million in sophisticated systems, which can automatically reorder products as their levels run low in each store. That allows Dick's to turn inventory 3.7 times per year, versus 2.6 times for its competitors.

"It's probably the key differentiating metric that we have over (our competitors)," Stack said.

While Stack was happy to talk about his father, he dodged questions about his own family. He is married with kids, but says he tries to keep them out of the press.

Stack's father couldn't teach him everything. He's sometimes had to learn by messing

up.

The company went through a "near-death" experience in 1994, said Robert Simonson, an analyst at William Blair & Co. in New York. Dick's moved its corporate office that year to Pittsburgh from Binghamton, N.Y., where it was founded in 1948. At the time, it was also receiving \$80 million in venture capital and ramping up its number of stores to 40 from 22.

Dick's also suffered when some of its managers elected not to move with the company from Binghamton.

"We grew the business probably a bit more rapidly than we should have from an infrastructure standpoint," Stack said. "To some extent, that's the same thing that happened to Galyans. . . . And that's why they've struggled for the last eight quarters."

Dick's experience led Stack and his managers to grow more prudently. Not including the Galyans acquisition, Dick's will increase its number of stores by 25 this year, or 15 percent. It will add 25 per year in the near future, Stack said. He said he sees no other acquisitions on the horizon.

As Dick's swooped in and scooped up Galyans, it shocked many residents of Plainfield, particularly since the town government had just invested \$7 million to build a sparkling headquarters for Galyans. That building will be abandoned after the merger.

For his part, Stack said Dick's would honor a clause that says Galyans must pay the town \$3.6 million if it doesn't fill the headquarters with workers. "It's our intent that we will honor all the obligations that are out there from this acquisition," Stack said.

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