SPACE, BUSINESS, AND MEDIA STUDIES

Anxious Decades: The Sporting Goods Industry During the 1920s and 1930s

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Michael Porter's *Competitive Advantage* (1985) argues that all companies seek "a favorable competitive position" through the development of a competitive strategy. Competitive strategies use internal resources (capital, technological development, human resource management, vertical and horizontal integration) to react to the external environment. The external environment includes competitive elements such as rivalries with industrial competitors, the threat of new entrants, the threat of substitute products, the power of suppliers of raw materials, and the bargaining power of buyers. The external environment also includes more broadly-based influences such as government regulations and the general economy. Porter maintains that the proper manipulation of internal resources in response to the external forces named above results in a successful competitive strategy, a profitable position for the company.

Porter's model assumes that many companies in any given industry can adjust their internal resources to overcome variations in the external environment. However, a company may bring about its own demise when it fails to monitor and respond accurately to external threats and opportunities. The ability of many individual companies to adjust to external opportunities and threats indicates industrial strength. It is theoretically possible, within Porter's model, for companies to develop competitive strategies that actually hinder their ability to effectively adjust to external forces. When individual companies adopt such strategies, they risk bankruptcy. When many companies within an industry adopt such strategies, industrial collapse becomes possible.

During the 1920s sporting goods companies (manufacturers, jobbers, wholesalers and retailers) adopted competitive strategies that led to industrial collapse in the 1930s. Sporting goods companies anticipated but misunderstood the sport boom that resulted from the First World War. Internecine competition resulted as companies attempted to erect barriers to entry against newcomers and foreign competitors. Some companies bought out competitors while others expanded product lines. Price maintenance became a watchword as the industry fought lower prices offered by mail order houses and chain stores. External forces conspired to accentuate the intense competition. Raw material shortages during the early 1920s led to stockpiling by 1923 and overproduction by 1925. The depression of 1920 and 1921 was accentuated by the federal government's 10% luxury tax on sporting goods. When this was dropped in 1922, individual states adopted the idea of a sales tax on sporting goods. The federal government instituted a 3% sales tax on sporting goods in 1925 and a 10% excise tax in 1930. Over production during the early years of the decade caused price fluctuations, periodic manufacturing shut downs, and product shortages. Record sales between 1925 and 1928 further accentuated competition and led to new heights in over production.

The 1930s brought change. Members of the sport industry realized that cooperation and a curbing of competition were necessary for survival. Industrial collapse began in May and June of 1931 and was fairly complete by the end of 1932. Sporting goods trade associations formed to combat external forces. The Chamber of Commerce of Athletic Goods Manufactures was the first to organize. It was followed by specialized associations within the industry: golf club manufacturers, golf ball manufacturers, fishing tackle manufacturers, athletic shoe manufacturers, arms and ammunition manufacturers, outboard motor manufacturers, athletic apparel manufacturers, etc. The Sporting Goods Distributors Association organized jobbers and wholesalers within the trade. Organizations begun at the national level spread to regional organizations and in some instances to local organizations. Trade associations established industry wide fair trade practices, served as clearing houses for complaints, provided advice and direction to members, provided market reports, and lobbied for the passage or the repeal of state and federal legislation. Beyond that trade associations cooperated to form credit associations. They also cooperated in nation wide promotional efforts such as National Baseball week, National Tennis week, National Golf weeks, National Youth week, and National Bicycle week. Cooperation altered competitive strategies and brought about the rebuilding of the industry.

Evidence used in this paper comes from the following sources: government documents and government industrial reports, company histories, market reports of specific companies and from the *Sporting Goods Dealer,* industrial analysis evidence came from reports developed by specific companies and from the *Sporting Goods Dealer*. Trade association reports and a wide range of secondary sources were also used to develop theoretical insights and the historical background.