

BURTON SNOWBOARDS: ORIGINS AND SPECTACULAR GROWTH

R. Peter Heine, Stetson University

Jake Burton Carpenter rode a toy snowboard at age 14 and dreamed it could be a major sport. By age 23, he, like so many entrepreneurs, toiled in his Vermont garage, visited hardware stores, and lobbied local resorts to allow banned snowboards on ski lifts. From this modest success, the sport took off and Burton sales reached \$1million in 1984. Jake has maintained the lead in technology ever since and now commands over 30% market share. Production has since expanded to Austria and Japan. The company remains privately held, and Jake is now called the “godfather” of snowboarding.

Origins of the Sport

Jake Burton Carpenter said that from the very beginning of his first ride on a “Snurfer” in 1964 that “there was a sport here.” The Snurfer (a combination of snow and surf) was invented by Sherman Poppen in 1965 to entertain his children on cold up-state New York weekends. Other kids begged him to make a Snurfer for them and sometimes the kids even fought over who would take the next ride down the hill. Poppen, an inventor of sorts, decided to patent and copyright the Snurfer. Brunswick then sold 300,000 of them in the first year.

Jake’s Early Days

Jake was an energetic young man...perhaps a little too energetic. At age 15 he was kicked out of boarding school, but finished his education in time. He even started a landscaping business. He was an excellent athlete who attended the University of Colorado in hopes of making the ski team until he broke his collar bone (“at least twice”, he says). After that he went from job to job, such as horse groomer, tennis teacher and bartender. One job that had later influence was as an assistant in an agency that helped small companies sell to bigger ones. He had a good early education on how to grow a company.

With money from a small inheritance after his mother’s death, and his energy, Jake decided in 1977 to start making “Snurf Boards” of his own design. Just like the legendary origins of Nike running shoes (Knight and Bowerman mixed rubber compounds in a waffle iron), Jake went to hardware stores and other places to experiment with woods, plastics, coatings, bindings and other material to fashion his own boards. He hired two relatives (“a big mistake”, he says) and two years later was \$100,000 in debt.

Jake persisted, however, by visiting almost 300 area ski resorts. Why? ...because snowboards were banned! Snowboards were not allowed on the ski lifts and so they were relegated to the country side surrounding the resorts. “Snowboarders knocked skiers down like bowling pins” and made deeper ruts in the snow than skis. Jake’s efforts lead to at least some success as he began sponsoring local contests and gave away boards to ski instructors. He attended trade shows and continued to experiment. And, of course, continued to keep his day job.

Jake's "Entrepreneurial Moment"

Burton Snowboard sales inched up gradually through the early '80s. But he still had a "garage full" of boards. The networking began to pay off as Burton sponsored the first "U.S. Open" snowboarding contest in '82. Jake's strategy was "selling the sport, as well as the boards." Not long after that event, Jake's first Moment came when a teenage boy from California called to order on the toll-free number at 2 a.m. Burton boards had made it from the east to the west coast. The "sport" grew, and in 1984, Burton sales reached \$1 million. He had finally outgrown the garage. Even with that success, he had no idea that a big event would soon happen that would catapult the sport of snowboarding.

The next year's big movie was James Bond in "A View to Kill". The movie featured Bond escaping the enemy by snowboarding down a breathtaking mountain run. *Time* magazine would later name it the "worst new sport" enshrining it with a "rebel" sport image. Snowboarding became "epidemic." Ski lifts now accepted boarders!

International Growth and Competitive Strategy

On a 1985 trip to Europe, where snowboarding had popularly migrated, Jake visited a contact he had made at a trade show years earlier. The contact's technical ski expertise proved invaluable. Visits to ski manufacturers, often in the evening, showed Jake he could learn to apply ski technology to his snowboards. He soon established a manufacturing facility in Innsbruck, Austria. This first ski technology application was to gain Burton Snowboards the reputation of having the highest quality in the industry... an image that has never been lost. (Jake's commitment to Innsbruck even prompted him to learn to speak the German language.)

In 1992, Burton moved to a larger manufacturing facility in Burlington, Vermont, where it remains today. In 1994, Ride Snowboard Company went public. In 1995, Burton added a facility in Japan with more efficient access to Asian markets. World-wide, 300 competitors were now making some type of snowboard product!

In 1998, snowboarding became an Olympic demonstration sport. (The gold medal winner enhanced the rebel image by testing positive for marijuana. He represented Burton.) In the 2002 Winter Olympics, the snowboarding events stole the show, as audiences there dwarfed those of other events. Snowboard events dominated TV coverage in prime time.

With such industry turbulence and growth, strategic planning at Burton became critical. Snowboarding participation was growing while skiing remained flat. As expected, a number of shake-outs, buy-outs and mergers shook the industry. Consolidation, alliances and retrenchment were the strategies of the past decades. Burton acquired brands in snow and non-snow related industries such as eyewear, luggage and even surfboards. Even competing brands of snowboard manufacturers were also bought for the use of their technology. None of these acquired brands carries the Burton label. Burton continues the focus strategy on the snowboard market with Burton labels appearing only on snow apparel, boots and, of course, boards. Many ski companies have had to develop and manufacture snowboards to survive. Burton only makes snowboards, not skis. Jake never considered selling or merging. He recently said "I don't appreciate a bunch of cash."

Snow Sport Industry Statistics

Jake once commented that snowboarding saved the ski industry. In fact, he is correct. The number of ski participants in the U.S. has been flat since 1979 and, even now is in fact declining due to demographic shifts to older populations. But the number of snowboard participants has risen sharply since data was collected. Specifically, since 2000, the number of ski participants **declined** by 6.6%, snowboard participants **increased** by 37.7%. Another startling statistic for the ski retailer is that in 1995, 26.0% of snow sports participants were both skiers and boarders. By 2005, only 8.2% of boarders also ski. Snowboarders are fanatical. The market has become highly segmented.

A typical ski lift waiting line would look like this: half would have skis and half would have boards. The half with boards would be 75% teenage boys. The skiers would be older and 50/50 male and female. Here are some industry statistics, since understanding the age and gender demographics of snow sports participants provides clues to the psychographics of the segment. Over half (51.7%) of snowboarders are under 17 years old with 73.1% under 25. For skiers, 34.1% are under 17, with 46.4% under 25. Males account for 74.2% of snowboarders, while ski participants are 50.6% male. The young, teenage rebel has found a cause. They are dominating and growing the snow sports industry.

Overall, U.S. total sales in snow sports specialty shops are now about \$2.3 billion, split rather evenly in the categories of apparel, equipment and accessories.. U.S. sales of equipment have actually declined slightly since 2000, but the decline was countered by sales increases in apparel and accessory lines. The snow sports industry (retailers and resorts) needed snowboarding to become popular with its younger participants to counter stagnating skiing participation by the aging population.

Burton Snowboards Culture Today

Jake Burton is revered in the industry by many who call him, not the inventor of snowboarding, but its “godfather.” But, Burton is now a very large company with hundreds of employees and an estimated 30-40 % of a growing \$400 million market in equipment and clothing in the U.S. alone. Burton sells 2/3 more boards than the nearest competition. Its commitment to technology has maintained Burton as the premier board maker in the industry since the company’s inception.

In spite of its incredible growth and large size, Jake and his staff continue to project and protect the image of quality, service, friendliness and even warmth. In earlier times, if snow powdered to 24 inches, the plant would declare a “snow day.” That is not so true anymore, but the company still hires only snowboard participants and buys each employee a season lift ticket to a local resort. Jake also taught snowboarding in his early days of “selling the sport” and even today, insists on teaching groups 10 to 20 times per year. You can also bring your dog to work even now, as you could then, on designated “dog days.” Of course, dress is very informal. Jake has no desk in his office, only couches, coffee tables and lots of product he inspects. You can’t get into his skunk-works product development room, however. He personally tests all products the company contemplates or he trusts experts. And somehow, he still manages to go boarding himself 100 days a year.

And if you call the Burton Corp. hotline today, you likely will get a live person to answer on the second ring. If you email the info link on the company Website, you will get a reply. Their site offers great appeal to their younger male target market showing off-beat poetry, young girls, teen activities, Jake's dog, and snowboarding champions. Of course, Jake hires the top star snowboarders of the world. After all, Burton himself is a "star" in the snow sports industry.

Technology and Trends

Technology continues to drive Burton to new heights of success. Recently, Burton asked NASA to share secrets of its "honeycomb" process to produce lighter, stronger boards. NASA refused, so Burton researchers intensely began a honeycomb project themselves. The outcome quickly resulted in their patent for a honeycombed process which was deemed superior to NASA's. With that technology, Burton designed a board, named the Vapor, which costs in excess of \$1200. NASA contacted Burton to find out more about their new process!

Burton has been described as uncanny in the way it anticipates trends and thrives for new technology. As examples, Burton developed a toecap binding and a helmet (not worn previously by boarders), which are now industry standards. More recently, even Burton's plaid-style clothing has been a fashion copied in the industry and worn by trend setters on the slopes. Burton recently developed a high-tech mesh cloth and hired a famous Japanese fashion designer to produce a highly successful minimalist-style black, white and grey-toned line of clothing.

In late 2004, Jake and his family "followed winter" around the world for ten months to experience snowboarding and experiment with equipment and fashion. Jake reflected, "At first, we were a nuisance, then a novelty, then a threat, and finally the savior of the ski industry."

Teaching Notes:

This case is excellent for discussion in an international, marketing, entrepreneurship, or strategy course. The Burton name is known by all students who live in snow sports areas. Very few, however, know the details of its fascinating origins and spectacular growth. Because Burton is a privately-held corporation, they provide no internal information of any kind. Data provided is from estimates from non-Burton sources referenced below and the company Website.

1. How would you describe Jake Burton Carpenter and his management style?
2. How would you describe the corporate culture he created? How/why did he continue many of the earlier perks and company policies?
3. Why is it still important to Jake to hire only snowboarders?
4. Jake refers to his strategy of maintaining quality images through the "scarcity principle." What do you think he means by that comment?
5. How important are demographics changes affecting the snow sport industry?
6. What would you have done if you were Jake when the James Bond movie came out?
7. Explain two reasons why Burton has not put its label on non-snowboard products.
8. How is Burton technology R&D related to strategic success?
9. Why did Jake make the decision to "market the sport, not just the board"? In his first ads, for example, Jake says the name Burton did not appear anywhere!
10. Ridership #'s continue to be fueled by young males attracted to the counter-culture mystique. Why?

Bibliography

Dean, J. (2006) 'It Only Looks Easy', *Inc. Magazine*, March 27, vol. 28, Iss. 3; pg. 112-120

Lane, R. (1995) 'The Culture That Jake Built', *Forbes Magazine*, March, vol. 155, Iss. 7; pg. 45-46

<http://www.biographyresourcecenter.com>

<http://www.hoovers.com>

<http://classic.mountainzone.com>

<http://www.k5.com>

<http://www.nssra.com>

<http://www.snowboard-mag.com>

<http://snowboard-mountainzone.com>

<http://www.snowsports.org>