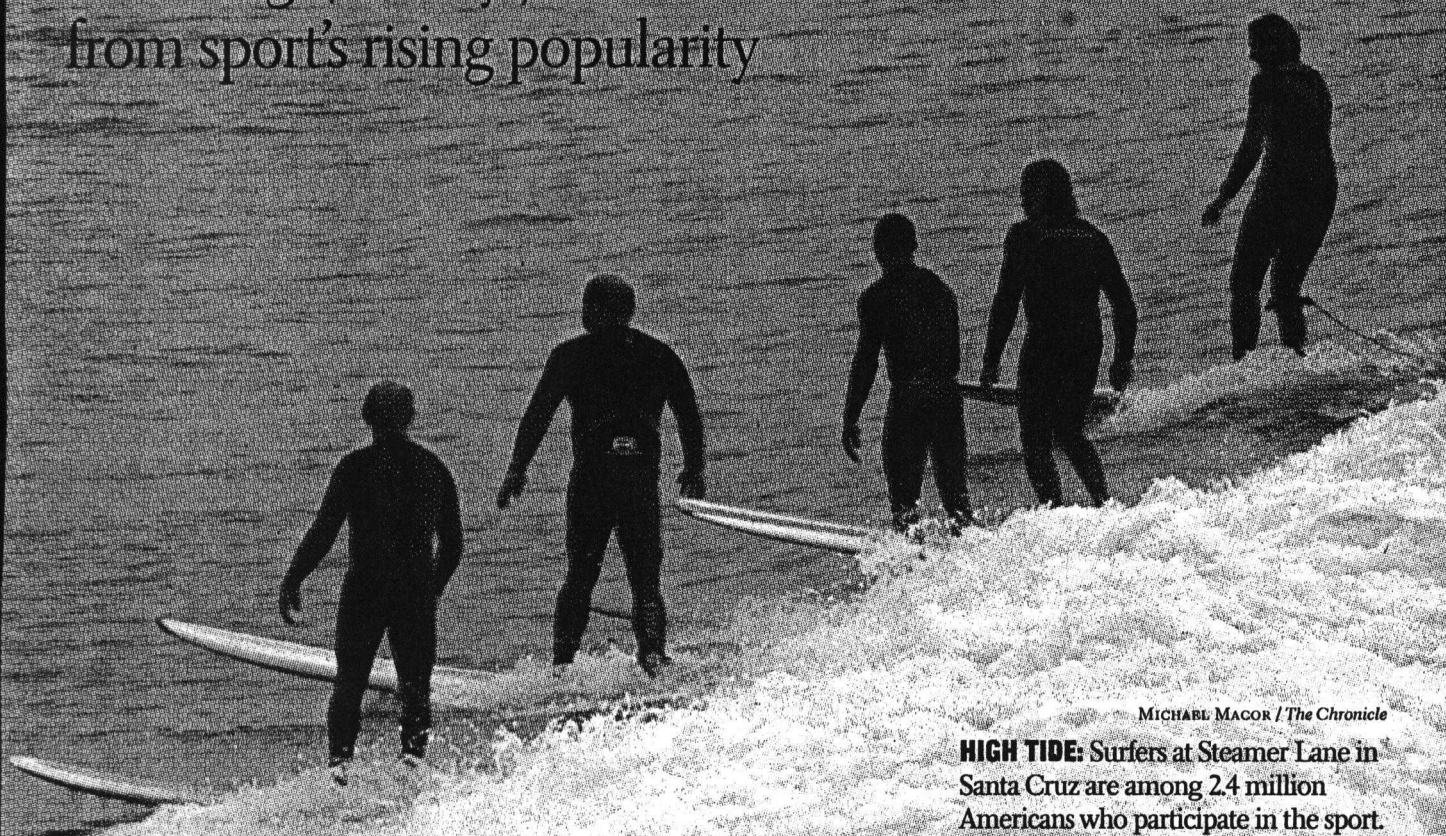


In Bay Area, new and old players  
in surfing industry jostle for dollars  
from sport's rising popularity



MICHAEL MACOR / *The Chronicle*

**HIGH TIDE:** Surfers at Steamer Lane in Santa Cruz are among 2.4 million Americans who participate in the sport.

# Wave of competition

By Greg Ambrose  
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Bus-O

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**T**he same surge of popularity that is sending droves of people to the ocean in search of the perfect wave has generated a tsunami of economic activity in California's surf industry.

The resulting prosperity has exacerbated a dark side to surfing. A territorialism born of an influx of newcomers is threatening to overwhelm established wave riders and the shops that serve them.

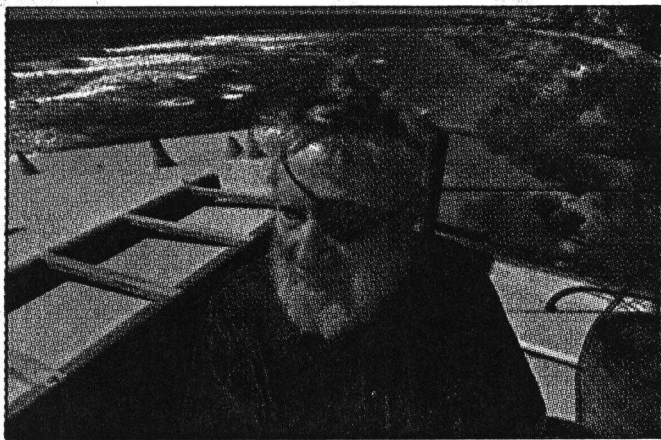
Longtime manufacturers and retailers are locked in a fierce struggle for market share with surf shops and production plants that have sprung up along the Northern California coast like big waves after a winter storm.

From Mill Valley to San Francisco and all the way to Santa Cruz, veteran surf shops like Wise and O'Neill are jostling with newcomers for the right to claim the new surge of customers.

"When I got started, we knew everybody in surfing, we knew all the businesses," said Jack O'Neill, 79, owner of O'Neill Inc. wet suits. "Now it has gotten crazy."

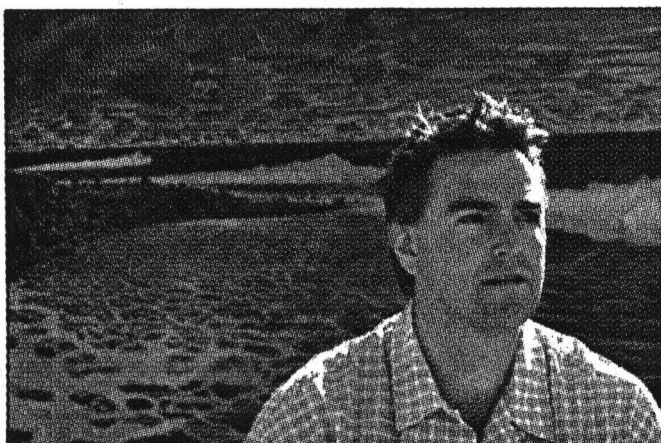
What's at stake is a market that has doubled during the past decade to \$3.8 billion in U.S. sales during 2001, according to Marie Case at Board Trac of Trabuco Canyon (Orange County), which follows the surf industry.

Board Trac follows only hard goods and soft goods, such as surfboards, leashes, wet suits, clothing, accessories, board bags, wax, watches, backpacks and sunglasses. Moneymakers such as exotic surf tours, surf camps, videos, movies and maga-



Photos by PENNI GLADSTONE / *The Chronicle*

**JACK O'NEILL:** He developed a line of wet suits that carries his name and owns a chain of five surf stores.



**JOCHEN WENTZEL:** The owner of a surf shop in Mill Valley now faces competition from a new O'Neill store.

► **SURFING:** Page B2 Col. 3

► Women play a big part in surfing's rising popularity and profit.



# Wave of competition in the surf industry

## ► SURFING

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zines are not included.

The number of surfers in the United States also has doubled, from 1.2 million in 1990 to 2.4 million last year, 45 percent of whom were in California, according to Board Trac and Mike Kingsbury Marketing Inc. of Huntington Beach (Orange County). Those numbers increase exponentially when bodyboarders and sailboarders are included, they said.

The resulting turf wars in the commercial world of surfing are intense, but as in recent revelations of creative accounting practices in the corporate world, all is not as it seems.

Consider UC Berkeley alumnus Jochen Wentzel, 40, who has created a sporting enterprise. Marin Surf Sports in Mill Valley, which he bought from a partner three years ago, has had a following and no competition for nearly two decades, and his Marin Skate Sports in San Rafael is patronized by the local community.

But Wentzel's world was threatened when he discovered that wet suit giant O'Neill had purchased the Aloha Junction restaurant across the street from Marin Surf Sports with the intention of opening its fifth retail store.

"I was amazed when I heard they were coming," Wentzel said. "This is a very vocal community, and resistant to change. Town meetings were held about O'Neill coming to town."

Despite surfing's popularity and Marin Surf Sports' past three years of prosperity, Wentzel is worried about whether the two shops can thrive in Mill Valley.

"The surfing industry is a kind of tricky industry, and the profit margin is not so great here," he said. "Owning a surf store is more of a passion, not a ticket to economic security."

### New kid is old hand

In this case, the new kid on the block is actually one of the pioneers of surfing and surf commerce in the Bay Area. San Francisco surfer O'Neill developed neoprene wet suits to help surfers and divers pursue their sports without succumbing to the bone-numbing ocean off Northern California.

He opened his first shop at Ocean Beach in San Francisco during the early 1950s and later moved his operation to the wave-rich Santa Cruz area, where he now has four retail shops.

O'Neill's renewed presence in the Bay Area with the Mill Valley shop is merely a return to his roots, says Mike Locatelli, who owned Portola Surf Shop in Capitola before going to work for O'Neill as its retail manager.

"We invested a lot of money in Mill Valley," Locatelli said. "We feel the people up there deserve a first-class shop."

There is certainly no love lost between the two owners. Locatelli said O'Neill stopped offering its world famous surf gear at Wentzel's shop when O'Neill found out the shop was selling it over-

seas.

"We have to be really careful with people gray marketing our product," Locatelli said. "When our wet suits show up overseas and the licensed distributor gets cut out, the dealer base gets cut out and they don't want to sell your product anymore."

"It's something O'Neill is battling all the time."

Wentzel responded by saying, "We don't carry their product anymore."

### Head to head

In Santa Cruz, O'Neill created a still-tense situation in 2000 when it opened a store near a shop that had finally begun to turn a profit after lean years.

After the 1989 Loma Prieta earthquake rearranged the urban landscape in downtown Santa Cruz, Todd Noland and his wife decided conditions were right to create their own surf shop. They opened Pacific Wave in 1993 on Pacific Avenue, the prime retail venue in Santa Cruz.

The shop struggled in the devastated downtown area until a nine-screen theater opened nearby in 1997. "A bunch of things came together," Noland said. "Families started coming downtown more, the dot-com industry took off, the economy picked up and more people were surfing."

Those times have passed. "There was a huge boost in business with the tech boom, especially Santa Cruz," said O'Neill manager Locatelli. "Everyone wanted to live here, and they had disposable income, buying three or four wet suits and three or four surfboards at a time. We don't see any of that anymore. It has all dried up."

At the height of the tech boom, Noland found out O'Neill planned to open a shop across the street and was concerned about whether Santa Cruz could handle two shops downtown side by side carrying similar products.

The past two years have given him an answer. "It has made an impact," Noland said. "We have

felt O'Neill's presence and made adjustments in areas we believe are our strengths. We focused more on skateboards and some brands that we have that aren't across the street."

### Bringing in more people

Locatelli sees the juxtaposition on Pacific Avenue as positive. "We brought a lot of people down there to that shop, they got a chunk of our business that we are pulling into that area. That's why they put McDonald's next to Taco Bells."

Noland isn't quite as sanguine about the situation. "Long term, it could work out fine and be a destination for people because there are two shops, but right now that's not the case."

"We have stayed true to what we are. We're still here, we're not going anywhere. We're adding 1,500 feet to the shop to expand our women's and boy's business."

In San Francisco, the newcomers who felt threatened by an entrenched shop discovered that co-operation could ease the tension in the intensely competitive surf industry.

When local surfer Bob Wise opened a shop on Wawona Street in 1968, its landlocked location was no impediment to business. Soon, Wise's reputation for fairness and the fact that his was the only shop for 100 miles in each direction had customers and merchandise flying in and out of its doors.

As surfing's marketability grew, the owners of Big Yank Board Sports scouted San Francisco for a location to open a shop. In 1994, they chose La Playa Street near Kelly's Cove, as close to the beach and as far as possible from Wise Surfboards, then on Vicente Street.

But five years later, Wise opened a three-story shop on the Great Highway across from Big Yank.

"We were surprised when he opened his new shop nearby," said Big Yank store manager Mark Abbott.

"Our first reaction was worry, but it has brought us more walk-up customers. Now we're very happy to be next door to Bob."

Big Yank prospered along with everyone else during the tech

## Commercialism of surfing swells

Surfing is riding a crest of enthusiasm that hasn't been seen since the "Gidget" book and movies and the surfing documentary "The Endless Summer" captured the nation's imagination in the early '60s.

In the new millennium, the mass media's infatuation with surfing, improvements in surfboard design, high-tech workers seeking a contrast to their cloistered cubicle existence and America's obsession with youth culture are behind surfing's explosive growth.

The growing interest in extreme sports also has helped swell the ranks of surfing aficionados, especially women, who as recently as a decade ago were a fairly rare presence in the waves.

Female wave riders, who made up 5 percent of the U.S. surfing population in 1994, accounted for 18 percent of all riders as of last year, according to Southern California companies Board Trac and Mike Kingsbury Marketing Inc., which monitor the surf industry.

When Quiksilver created its Roxy clothing division in 1991, there were no surf brands devoted to women. Last year, Roxy was Quiksilver's fastest-growing revenue segment, increasing 34 per-

cent from the previous year, with U.S. net sales of \$165.93 million. Quiksilver's total U.S. net sales were \$391.57 million, according to the company's annual report.

Spreading the fiscal frenzy globally is the elite World Championship Tour. Professional surfers — who now have agents, managers and portfolios — are sent by their sponsors to Europe, South Africa, Hawaii, Tahiti, Australia, Fiji, Brazil and the mainland United States to compete for \$6.15 million in prize money and a chance for the eventual world champions to tout their sponsors' brands on an international stage.

Regional contests for lesser-ranked and aspiring professionals nearly match that amount, according to the Association of Surfing Professionals.

Just as the number of wave riders has skyrocketed, the industry has been swarmed by recently formed companies eager to cash in on all aspects of the surfing lifestyle. Surfing has become so mainstream that images of surfers are being used to sell Mercedes-Benz sport utility vehicles, and surfboards are offered for sale at Costco.

— Greg Ambrose

boom, but unlike many others, it has weathered the tech bust nicely, thanks to its Internet site and online shopping.

"We feel pretty lucky," Abbott said. "We have determined that even during down trends, people don't give up their recreation. Many of them have more time to do it."

Ever the optimist, Locatelli sees a solution for the strife in the lineup and the Bay Area surf industry.

"My best vision for Mill Valley is that we both get our customers. It's a hard lesson to learn, but you don't get to have it all, you don't have the right to be the only surf shop in the whole Marin area."

"Everybody just needs to get along and help each other."

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