

by Tom Stevens

4-9-87 GI

O'Neill's Name Sells

A RETAILING phenomenon that started with one shivering surfer 35 years ago takes another quantum leap this month as O'Neill Inc. licensees and dealers from 45 countries gather in Santa Cruz to shape the firm's \$70 million overseas market.

The name that wet suit pioneer Jack O'Neill stitched into water sports history is now riding a second wave as foreign sportswear licensees pay fees up to \$3 million and gross sales royalties as high as 10 percent to use it on products from shoes to sunglasses.

"We're better known in Europe and Japan than we are here," said O'Neill CEO Ken Ketch, alluding to the 13 European and 12 Pacific Rim firms who comprised the company's first annual licensee forum April 1-3 at the Chaminade conference center. Arriving on their heels were 25 O'Neill distributors who caucused April 6-7

GREG PIO



Woolsey, Ketch: licensed to sell.

Business included product brainstorming and design exchanges. Ketch said, as O'Neill's licensed overseas manufacturers and distributors sought to capitalize on the firm's stated image: the "fun and excellence" of the "California beach life."

"They want our look — the California look is really hot," said O'Neill marketing director Kelly Woolsey, adding that licensees pay one-time fees ranging from \$150,000 to \$3 million for O'Neill's version of that look. Coupled with annual royalties ranging from 3 to 10 percent of gross sales, the company's licensing activity now rivals its manufacturing component.

"We're trying to build a five-legged company," Ketch said, listing manufacturing, licensing, advertising, event marketing and retailing. While the manufacturing leg (wet suits and, more recently, water-ski suits) has carried the company in the past, the other four are gaining.

O'Neill Inc. spends \$600,000 to \$750,000 annually on advertising —

mostly in water sports magazines — and as much again on sports promotions, Woolsey said. But since it has its own graphics wing, O'Neill recovers some of those outlays by generating ad materials for its licensees.

Woolsey figures revenues from event marketing alone will pull even with the company's other ventures as major U.S. and foreign corporations dive into the water sports promotion pool. Alluding to the publicity windfall reaped by the America's Cup sponsors, Woolsey said corporations will pay handsomely to associate themselves with anything sporty, clean-cut and colorful.

O'Neill already has one major event sponsor — Japan's giant Marui department store chain — and Woolsey feels other majors worldwide will want to link their names with O'Neill's for planned wind-surf, snowboarding, water-skiing and surfing tours.

Interest in using the O'Neill name has been spurred by the company's sponsorship of televised water sports events, often in overseas market areas. Last year's 10-day O'Neill World Pro Cup board-sailing event in Holland, for instance, drew 400,000 spectators.

By stamping its arching surfer logo onto some of the earliest board sailing events (the "Maui Grand Prix," for instance), O'Neill shrewdly got in on the ground floor of an industry with a 20 to 25 percent annual growth rate, twice that of surfing or skiing.

But while O'Neill licenses a wind-surf equipment manufacturer in Japan, the company is not interested in building sail-boards, skis, snowboards or even surfboards, though the latter was tried several years ago. "Hard goods are real, real technical," Woolsey said, "and we don't want to dilute our image too far. Wet suits are our claim to fame."

O'Neill has 40 to 45 percent of the U.S. market for wet suits used in surfing, 50 to 55 percent of the wind-surfing apparel market and 20 to 25 percent of the water-ski wet suit market, Woolsey said. It ceded the SCUBA diving market to Body Glove and other firms years ago.

O'Neill sells wet suits priced from \$60 to \$250 apiece and "dry suits" from \$300 to \$350 through a network of 3,500 dealers worldwide. Sports industry sources estimate there are about 2.5 million surfers, 1.7 million water-skiers and 1.3 million wind-surfers in the U.S. alone.

Two of those markets didn't even exist and the other was still in its infancy when San Francisco (now Santa Cruz) surfer Jack O'Neill developed the first commercial wet suit in 1952 out of neoprene, a closed-cell plastic material then used to pad airplane carpeting. •