



## Surf's out!

Don't you just love summer in Australia? It can be hot enough to fry an egg or wet enough to drown a rat whilst listening to the cricket, watching the Australian Open tennis, going to the beach and, of course, hitting the surf!

Speaking of surf, many of you would know that the three biggest surf brands in the world all started in Australia: Ripcurl and Quiksilver in Torquay – just a few minutes from the famous Bells Beach – and Billabong in Queensland on the Gold Coast.



These iconic brands started, quite literally, in the lounge rooms and garages of some great Australian entrepreneurs who, for the most part, just wanted to live the Australian dream by making enough dough to fund a surf lifestyle for which they had a true passion.

Many great retail concepts started out small and ultimately succeeded because of the passion, innovation and drive of a few individuals who were able to find that point of connectivity with a market that makes the brand “click” with the psyche of consumers. Think: Boost Juice; Smiggle; Peter Alexander. Even Colorado at one time had a niche in the market which really meant something.



## retail postcard

*Highlighting trends and challenges in the retail sector.*

So what is going on in surf retail right now? The big guys are coming out, down-grading sales and earnings forecasts; blaming the weather; blaming the European crisis; blaming adverse currency movements; even blaming the tsunami in Japan.

All this stuff impacts retail performance – no doubt about it – but the world’s best retailers adapt to change and find new markets. The big global vertically integrated retailers such as H&M, Topshop and Zara are not slowing down. Their balance sheets are strong, their cashflow is strong and they roll out a new store almost every day somewhere around the world.

The point is, every great retailer rides a roller coaster where one day it is on top of the world and the next it is battling a new competitor, a shift in consumer sentiment, or a change in trends.

The surfwear guys have been on top of their game for a long, long, time. Collectively, they “owned” their market well and their brands remain extremely strong. However they are not dominating the break and catching the big waves the way they used to.

There are a number of factors that may be contributing to this:

1. Historically, the surf business culture has been anti-corporate, anti-mainstream and often irreverent and rebellious. This core DNA does not appear as strong as it once was.
2. For a time the surf brands were fashionable because they stood for something that consumers could relate to. Does today’s generation reckon it’s cool to wear the same brands as dad or even grandad?
3. Best practice specialty retail in 2012 will have a few common denominators:
  - A strong multi-channel offer (online/mobile/in-store)
  - A supply chain designed to keep inventory and working capital at optimal levels
  - Exciting and well executed in-store experiences
  - Total brand control via ownership of the key channels to market

I suspect the surf brands are not quite where they should be – and this could be impacting performance.





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In a world where brands are becoming influential retailers, the surfwear guys have a clear brand advantage. But one thing established brands like Apple, Nike and Adidas know, is that no-one else can execute their brands at a retail level as well as they do.

Yes the market has changed – but I think there is more change to come. And to get back on top of their game, the surfwear retailers are going to need more than just a change in the weather.

Regards

[James Stewart](#)



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