



# DC Shoes: Sport Spend Analysis

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## Overview

### *Company History<sup>1</sup>*

DC Shoes, Inc is a shoe manufacturing and design company that was specifically made for skateboarding and snowboarding. Over the years, DC Shoes, Inc. has expanded its lines from just skateboarding and snowboarding to the array of lines seen today such as Surf, Moto, BMX, and Auto. DC Shoes did not start out as just a shoe company. The company (and brand) was founded by Ken Block and Damon Way in 1991. Block, a snowboarder, began designing t-shirts in 1989 and in 1991, Block and Way came together to put together a clothing brand called Eightball. Eightball got its first endorsement from Way's pro skateboarder brother, Danny Way, not too long after the brand was launched. The success of the t-shirt brand allowed for Block and Way to expand into a line of jeans in 1992 and a year later the company, Circle Distribution, was incorporated. With the growing success of the clothing lines in the skate world, the DC Shoe brand was created and launched in 1994.

Between 1994 and 1998 the success of DC Shoes and the other lines led to the company expanding its productions to a 16,000-square-foot building. By 1995, the DC Shoes revenue was at \$7 million. The other brands under Circle Distribution were sold off in 1997 due to the triple digit growth made by DC Shoes and by 1998, Circle Distribution was renamed DC Shoes, Inc. DC Shoes, Inc continued to add lines (Moto, Auto, BMX, and Surf) to their brand and also created women's and children's lines. In 2000, the revenues for DC had increased to \$60 million, and by 2003, DC Shoes, Inc was doing so well that it was acquired by Quiksilver, a

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<sup>1</sup> (Funding Universe, 2009)

similar company that specialized in surf clothing. DC Shoes, Inc is now one of the main three Quiksilver brands and contributed 23% to Quiksilver's revenue in 2009<sup>2</sup>.

### ***Sport Spend History***

DC Shoes began its sport spend early in its brand history. "DC Shoes was one of the first skateboard shoe companies to make extensive use of professional endorsements [and sponsorships]. In 1996, DC's skateboarding team had grown to eight pros who went on a world tour in 1997. Motocross and surf teams were assembled by the end of the year<sup>3</sup>." As DC Shoes has expanded into new lines, new sponsorships have taken place. Currently there are fourteen sponsored athletes on the DC Shoes Skate Team, sixteen sponsored athletes on the DC Shoes Snowboard Team, six sponsored athletes on the DC Shoes Surf Team, thirteen sponsored athletes on the DC Shoes Moto Team, eight sponsored athletes on the DC Shoes BMX team, and three sponsored athletes on the DC Shoes Auto Team<sup>4</sup>. According to Quiksilver's FY2009 Form 10-K for the period ending 10/31/09, Quiksilver "believe[s] that these athletes legitimize the performance of our products, form the basis for our advertising and promotional content, maintain a real connection with the core users of our products and create a general aspiration to the lifestyle that these athletes represent.<sup>5</sup>"

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<sup>2</sup> (Quiksilver, Inc., 2009)

<sup>3</sup> (Funding Universe, 2009)

<sup>4</sup> (DC Shoes, Inc, 2010)

<sup>5</sup> (Quiksilver, Inc., 2009)

Along with the many teams and athletes DC Shoes also sponsors events such as the X Games<sup>6</sup>, the 2010 Mammoth MX<sup>7</sup>, the Nokia Air N Style Winter Games<sup>8</sup>, and the Moto des Nations in Italy<sup>9</sup>. These events “reinforce the reputations of our [Quiksilver/DC Shoes] brands as authentic among athletes and non-athletes alike<sup>10</sup>.” DC Shoes also uses sport spend on philanthropy activities such as opening skate parks and training and testing centers for underprivileged areas that do not have a place for up-coming skaters (mainly children) to practice their sport<sup>11</sup>.

## **Analysis**

### ***Continuing Spending***

Based on the research conducted, DC Shoes has done a fairly good job incorporating sport spend into the value of its products. It relies heavily on celebrity sponsorships and endorsements which it believes contributes to the authenticity and image of its brands<sup>12</sup>. The sports which are affiliated with DC Shoes are small niches within the sports world and are highly influenced by the pro-athletes in the sports. Because these sports are based on the performance of one individual athlete at a time, the followers of the sports relate to the athletes on an individual basis. Therefore, by sponsoring pro and amateur athletes, DC Shoes is linking its brand to the consumers’ previous, current, and future relationship with the athletes. Since DC

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<sup>6</sup> (Business Wire, 2005)

<sup>7</sup> (Racer X Illustrated, 2010)

<sup>8</sup> (SNOWBOARD Magazine PR Dept., 2005)

<sup>9</sup> (DC Shoes, Inc., 2009)

<sup>10</sup> (Quiksilver, Inc., 2009)

<sup>11</sup> (Funding Universe, 2009)

<sup>12</sup> (Quiksilver, Inc., 2009)

Shoes as a brand differentiates itself based on the technology of its shoes, the sponsorship of the athlete reinforces and authenticates the quality and effectiveness of the shoes. In addition to the technology of the shoe, the style of the shoe has become increasingly important in the eyes of the consumer and the sponsorships with the athletes helps to make the style of DC Shoes cool and popular among the different sports niches. Therefore, DC Shoes should continue the sponsorships of athletes.

Another sports spend that has been working for DC Shoes is event sponsorships. While specific details of sponsorships are hard to find, some of the obvious perks of event sponsorships include DC Shoes sponsored athletes being featured in event commercials with the DC products and being able to reach different and new consumers for its multiple product lines<sup>13</sup>. Other unmentioned perks could include fan interactions, giveaways, autograph signings, and other interactive marketing tools which would have direct contact with the consumers. For these reasons, DC Shoes should continue its event sponsorships.

### ***Areas of Improvement***

One of the areas DC Shoes can improve on is its philanthropy endeavors. There are many more opportunities besides building skate parks and training facilities that would further the connection between DC Shoes, its consumers, and the communities. By creating new and innovative philanthropic activities, DC Shoes can further differentiate itself from its competitors and change the view of the niche sports in the community.

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<sup>13</sup> (Business Wire, 2005)

Another area of improvement, on a general basis, is the actual promotion and reach of the continuing sports spend on consumers. For example, while I am not a part of the extreme sports community on an athletic basis, I am highly interested in these sports. Not only do I like the sports, I like to follow the athletes as well. However, I hardly hear about or see DC Shoes' athletic and event sponsorships. Therefore, there are a lot of potential consumers that DC Shoes has not reached and its promotional activities have been centered on the "hard-core" extreme sports consumers.

A final improvement for DC Shoes' sports spend is with the athlete sponsorship. While there are a lot of athletes that are sponsored by DC, some of the teams only have a small number of sponsorships and some do not have any amateur athletes. While these team sponsorships are probably new to DC Shoes' line, the presence of athletes, both pro and amateur, are very crucial to the success of DC Shoes. By expanding the teams and sponsorships for the Auto, Surf, and BMX teams, DC Shoes will be able to reach new consumers and further authenticate its brand.

### ***Recommendations***

One of the recommendations for DC Shoes is to increase its philanthropic efforts by providing skate shoes and other equipment to underprivileged children who dream to be professional athletes, as well as to create teach events for underprivileged children using the sponsored athletes as the teachers. Both of these activities can further increase the interactions between the DC Shoes brand and its consumers. The brand could also become partners with the Special Olympics or other organizations that deal with people with disabilities. There are many

people with disabilities who look up to athletes and who dream of either meeting the athletes or even learning from the athletes. DC Shoes could have its sponsored athletes meet with people with disabilities and give them DC Shoes gear at the event.

Another recommendation is to do market research to find out if there is a consumer interest in DC Shoes and extreme sports that is separate from the avid extreme sports consumer group. DC Shoes could then determine how to promote its sports in order to reach different consumer group. While the integrity of the brand is important for DC Shoes, expanding the consumer reach could be crucial to the success of DC Shoes in the future. There are many ways DC Shoes can promote itself to new consumers through sport spend that keeps the integrity and authenticity of the brand. Determining the specific way to promote the brand using sport spend would depend on consumer behaviors.

A final recommendation for DC Shoes sport spend is to add more amateur athletes to the newer DC Shoes teams. While pro-athletes bring in a certain consumer, amateur athlete sponsorships relate to consumers on a different level and can attract new and different consumers for DC Shoes. This is especially important when the teams in need of amateur sponsorships represent newer lines of the DC Shoes brands. This will bring in a bigger audience for those lines. Furthermore, DC Shoes can focus use the amateur athletes sponsorships to relate to the communities from which the athletes reside.

## **Conclusion**

Based on the history of the DC Shoes, Inc brand, its current position in the market, and its current sports spend, DC Shoes has done an excellent job in utilizing its sports spend in order to promote the brand to its consumers based on the technology, integrity, and authenticity of the brand. However, there are some improvements that DC Shoes can make on its current strategy including increasing and differentiating philanthropic, promotional, and athlete and even sponsorship activities. The recommendations include reaching out to under privileged and disabled communities on a more personal level by providing equipment and special teachings from sponsored athletes, increasing promotional activities revolved around the athletic teams and sporting events in order to reach new consumers, and to increase the number of amateur athletes in the teams, especially for the newer DC Shoes teams.



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