

Burton snowboards: origins and spectacular growth (A Teaching Case with Notes)

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ABSTRACT

Jake Burton Carpenter first rode a toy snowboard at age 14 and dreamed it could become a major sport. By age 23, he became focused like so many entrepreneurs, and toiled in his garage, visited hardware stores, and tinkered with bindings. He gave away boards to ski instructors and lobbied local resorts to allow banned snowboards on ski lifts. Finally, the sport took off and Burton sales reached \$1million in 1984. He then visited ski manufacturers in Europe, and soon opened a high-technology facility in Austria. Jake's early strategy relied on this technology and "scarcity marketing" to differentiate Burton from growing competition. Burton has maintained the industry lead in technology and quality ever since and now commands over 30% snowboard-related product market share. And snowboarding has grown to almost 50% of the snow sports industry. Snowboard production has since expanded to Asia. Finally, in a recent major strategic move, Burton is now positioning in surfboards and skate boards, and related attire. The company remains privately held with no stated mission. Jake is now called the "godfather" of the snowboarding industry. The world snowboard championship continues to carries his name.

Keywords: entrepreneurship, organizational culture, strategy, technology, demographics



Introduction: Origins of Snowboarding

Jake Burton Carpenter said that, from the very beginning of his first ride on a toy “Snurfer” at age 14 in 1964, he knew that “there was a sport here.” The Snurfer (a combination of snow and surf) was invented by Sherman Poppen in the early 1960s to entertain his children on cold up-state New York weekends. It looked like a skate board with a vertical handle bar to help the children keep their balance. Other kids begged Sherman 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, a sporting goods manufacturer, bought the patent; and they sold 300,000 of them in the first year alone. (Lane, 1995; K5.com, 2004)

Jake’s Early Entrepreneurship 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, and then 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 great influence was as an assistant in an agency that helped small companies sell themselves to bigger ones. So, Jake had a good early business education on how to grow value in a company. (Prosl, 1999)

With money from a small inheritance after his mother’s death, and his energy, Jake decided in 1977 to start full-time making and marketing “Snurf Boards” of his own design. Just like the now legendary origin of Nike (founders Knight and Bowerman cooked rubber compounds in a waffle iron to improve the soles of running shoes), Jake went to hardware stores and other suppliers in order to experiment with woods, plastics, coatings, bindings and other material to fashion his own improved boards. He hired two relatives (“a big mistake”) and two years later was \$100,000 in debt before turning 30! (Marquardt, 2008)

Jake persisted, however, by visiting (lobbying) area ski resorts. Why? ... because snowboards were banned from the lifts! Snowboards were not allowed on the ski lifts and so they were relegated to the country side and hills surrounding the ski slopes. Teenage snowboarders “knocked skiers down like bowling pins” and made deeper ruts in the snow than skiers. Jake’s efforts lead to at least some success as he was allowed to sponsor local snowboarding contests on designated ski runs. He gave away boards to ski instructors. He attended trade shows and continued to experiment. And, of course, Jake continued to keep his many day jobs. (Hoovers.com, 2006)

Jake’s “Entrepreneurial Moment”

Burton Snowboard sales inched up gradually through the early ‘80s selling almost exclusively in the New England area. But Jake still had a “garage full” of boards. The networking began to pay off, however, as Burton sponsored the first “U.S. Open” snowboarding contest in 1982, thanks to a friendly resort operator. (The contest is named after Burton to this day and is held at the same original resort...a Burton reward for giving his first break.) (Katz, 2006)

Jake's strategy was "selling the sport first "as well as the boards. In fact, his first ads did not even mention Burton. Not long after that U.S. Open event, Jake's first Moment came when a teenage boy from California called on the toll-free number at 2 a.m. to order a board. Burton snowboards had made it from the East to the West Coast. As he had predicted, the "sport" grew, and in 1984, Burton sales reached \$1 million. He had finally out-grown the garage.

Even with that success, he had no idea that a big event would soon happen that would catapult Burton and the sport of snowboarding to spectacular growth. The next year's big-hit movie in 1985 was James Bond in "A View to a Kill." The movie featured Bond escaping the enemy by snowboarding in a long chase down breathtaking mountain/glacier runs. Millions of people world-wide saw a snowboard for the first time. *Time* magazine would soon name snowboarding the "worst new sport," thereby enshrining it with a "rebel" sport image. Snowboarding then grew world-wide like an epidemic. Most ski resorts now, if not welcoming boarders, at least tolerated them to supplement revenue. (Hoovers.com, 2006)

International Growth and Competitive Strategy

On a 1985 trip to Europe, where snowboarding popularity had also migrated, Jake visited a contact he had made at a snow sports trade show years earlier. The contact's technical skiing equipment expertise proved to be invaluable. Visits to ski manufacturers, often in the evening, convinced Jake he could learn to apply ski equipment technology to his snowboards. He soon established a high-tech manufacturing facility in Innsbruck, Austria. (Jake's commitment to Innsbruck even prompted him to rapidly learn to speak the German language.)

Being one of the first to use ski technology applications was to gain Burton Snowboards the reputation of having the highest quality in the industry... an image that has never been lost.

In 1992, Burton moved to a larger manufacturing facility in Burlington, Vermont, where it remains today. In 1995, Burton added another facility in Japan with more efficient access to Asian markets. World-wide, 300 competitors were now making some type of snowboard product! (Dean, 2006)

In 1998, snowboarding became an Olympic demonstration sport. (The gold medal winner enhanced the rebel image by testing positive for marijuana. He rode a Burton Snowboard, of course.) In the next 2002 Winter Olympics, snowboarding became a "medal" sport and, in fact, the snowboarding events stole the show. Audiences there dwarfed those of other events. Snowboard events dominated TV coverage in prime time when producers were told of spikes in the ratings while snowboarding events were being shown.

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 or created companies and brands in snow and non-snow related industries such as eyewear, luggage and even recently, surfboards. Even competing snowboard manufacturers were also bought out simply for the use of their technology, for example, in patented bindings. A short list of these companies includes Anon, RED, B by Burton, and Gravis Footwear. None of these created products carry the Burton label and logo, but their products are included prominently in Burton Snowboards catalogue and Website. (Ryan, 2007)

Until recently, Burton continued the "focus strategy" concentrating on the snowboarding market. The Burton label appears to this day only on snow apparel, boots and, of course, boards.

Throughout the growth of the snowboarding industry, it is interesting to note that, in contrast to Burton, almost all ski equipment manufacturers began making snowboards using their own brand label. Burton only put his name on snowboards, some apparel and equipment, not on skis or any other product which the company acquired. Jake never considered selling or merging, although he had many offers early on. He recently said, "I don't appreciate a bunch of cash." (Dean, 2006)

Snow Sports Industry Statistics- Boards Vs. Skis

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, continues to decline due to demographic shifts to older populations (read "baby boomers."). But the number of snowboard participants has risen sharply since data was collected. Specifically, snow sports industry data indicates that since 2000, the number of ski participants **declined** by 6.6%, while 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. (Snowsports.org, 2006)

Snowboarders leave skiing to the "old folks." Industry statistics also suggest that typical ski resort waiting lines would look like this: half of those waiting would have skis and half would have boards. The half with boards would be 75% teenage boys. The skiers would be much older and 50/50% male and female. Other industry statistics provide 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. Again, males account for 74.2% of snowboarders, while ski participants are 50.6% male. The young, teenage rebel has found a cause and that segment is growing while the older segment is leaving the slopes to the younger. Snowboarders, not skiers, are dominating and growing the snow sports industry. Snowboarding participants have doubled from 1997s 2.5 million, to 2007s 5.0 million. Jake was right. Snowboarding did save the snow sports industry. (K5.com, 2004)

Burton's Culture

Jake Burton Carpenter is revered in the industry by many who now call him, not the inventor of snowboarding, but its "godfather." But, Burton Snowboards is now a very large company with about 1,000 employees and an estimated 30-40 % of a growing world-wide market. 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. And the legendary Jake has valiantly tried to stay close to his small-company roots. (Hoovers.com, 2006)

In spite of its incredible growth and size, Jake and his staff continue to project and protect the image of quality, service, friendliness and even warmth. If snow powders to 24 inches, the plant would declare a "snow day." That is not so true anymore, but the company still hires primarily snowboard participants and buys each employee a season lift ticket to a local resort. Jake also enthusiastically 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 and tests. 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. He doesn't play golf. (Dean, 2006)

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 by displaying off-beat poetry, young athletic girls, teen party-type activities, Jake's dog, and other dogs in the office on dog days, and recent snowboarding champions. Of course, Jake hires the top star champion snowboarders of the world. (Early on, Jake tried to hire away a male world champion from a competitor, but was prevented by a court injunction. So, the rebellious Jake made him a special board to compete with, and painted it all black with no logo. Everyone knew it was a Burton snowboard.) Burton himself is a star and a rebel in the snow sports industry. (Katz, 2006)

Technology And Fashion Trends

Technology continues to drive Burton to new heights of success. Recently, for example, Burton asked NASA (National Aeronautical and Space Administration) in the U.S. to share secrets of its "honeycomb" process to produce lighter, stronger material for space travel. NASA refused, so Burton researchers intensely began a honeycomb project of their own. The outcome quickly resulted in a Burton patent for a honeycombed process which was deemed superior to NASA's. With that technology, Burton designed a board, named the Vapor, which then cost in excess of \$1200. NASA contacted Burton to find out more about their new honeycomb 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 plaid-style clothing has been a fashion status symbol copied by others in the industry and worn by trend setters on and off the slopes. Burton 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. You can now plug your iPod into a Burton jacket. His street clothing line now resembles what the popular "extreme sports" participants would wear. (Snowboard-mag.com, 2006)

As for distribution, Jake refers to his "scarcity" marketing strategy. Burton only produces what retailers order, plus five percent. If a style becomes popular, it sells out and is not replaced. Boarders know this, so distributors and retailers are keen on reviewing new Burton products when ordering and trying to peg demand. Burton now outsources much of its distribution function which is described as both more effective and efficient by their retailer customers. (Dean, 2006)

In 2006, Burton took customer service to an unprecedented level with their "W48" warranty program. The company pledges to make covered repairs to snowboards within two days of receipt. And, if you are already on the slopes, a Burton dealer will fix the problem or provide a loaner board until repairs are done. That kind of attention keeps boarders happy...and on the mountain. (Reingold, 2006)

Where To Next?

Burton recently made a significant strategic move in its product line development. Jake pushed beyond winter sports and acquired a major surfboard company, Channel Islands located in California. The teenage rebel image fits the Burton customer well on the West Coast and is consistent with current segment demographics. This type of both seasonal and product expansion helps Burton spread risk, especially during recent unseasonably warm winters. To go even a step further, in 2008, Burton entered the skateboard market and also developed a highly successful line of the fast-growing “extreme-sports” attire market to complement their traditional clothing, footwear, sunglasses and other “street” products. The Burton on-line store now features images of each of these segments in action: the “radness” of the ocean surfer, the down hill “flying” snowboarder and the daring skateboarder sliding down a stairs hand railing. Burton calls this their snow-skate-street strategy. (Marquardt, 2008)

Jake: “People have said, hey, you need a mission statement. And I never react well to that. Our mission is just so implicit in everything we do.” (Ryan, 2007)

Conclusion

To underscore Jake’s first love of the sport of snowboarding, in late 2004, Jake and his family “followed winter” around the world for ten months to experience snowboarding, experiment with equipment, and to get a sense of changing fashion. Jake reflected, “At first, we were a nuisance, then a novelty, then a threat, and finally the savior of the ski industry.” Jake Burton Carpenter has come a long way since those early days in the garage. But if you asked him, he would probably say that he hasn’t change a bit. He continues creating, innovating and surprising.

Teaching Notes

Objectives

This case is excellent for discussion in an international, marketing, entrepreneurship, or strategy course. Case learning objectives include

- understanding the role of personality in an entrepreneur’s success
- applying principles on the importance of technology in most industries
- evaluating the strategic use of acquisitions in product and market development
- analyzing unique marketing and distribution policies

This case should be interesting to students because the Burton name is known by all who live in snow sports areas. Very few, however, know the details of Burton’s fascinating origins and spectacular growth. The surfboard and skate board markets are relatively new.

Because Burton is a privately-held corporation, they provide no internal information of any kind, especially financial. Data provided is from industry estimates, non-Burton sources referenced below, and the company press releases and Website.

Case Summary

Toy snowboards became very popular when introduced by Brunswick in 1966. Jake Burton Carpenter was an avid snowboarder and realized at an early age that snowboarding could become a major sport. In 1977 at age 27, he invested a small inheritance into the manufacturing of snowboards in his garage. Snowboards were banned from ski lifts at the time, so Jake had to solicit local resorts to allow boarders on slopes around the lifts. By 1982, a few resorts allowed snowboarding, and Jake promoted the first “U.S. Open Snowboarding Championship.” Orders then began to come in, and by 1984, sales reached \$1 million. The tipping point was the opening of the very successful James Bond 007 movie, *A View to A Kill*, where Bond escapes the enemy by snowboarding down a spectacular slope. A snowboard was seen by millions for the first time, and soon snowboarding became epidemic worldwide and carried a “rebel” image.

In 1985, Jake visited Innsbruck, Austria, and, with the assistance of a technical ski equipment expert, decided to open a factory there to distribute to the European market. He then became the technology leader in the industry and has not lost that position since. Another manufacturing facility was added in Japan in 1995 to efficiently distribute to the Asian markets.

The culture of the Burton Company is greatly influenced by Jake and his own personality. He has tried to keep the same small company policies that made him successful. For example, he has “snow days” when fresh powder gets to 24 inches (employees hit the slopes), buys annual lift tickets for employees, has “dog days” occasionally (employees bring their dogs to work), and Burton hires mainly those who are snowboarders. Burton Company has very low turnover.

Snow sports industry statistics indicate that skiing participants have been declining since 1977, due mainly to the aging population. Snowboarding, however, continues to grow, especially in the male teenager segment. Estimates are that Burton maintains about a 30% market share in the multi-billion dollar market. Snowboarding saved the snow sports industry.

Finally, Burton has recently made two significant strategic moves: first acquiring a surfboard manufacturer on the West Coast, and second, developing skateboards and related “extreme sports” attire. These moves give Burton an all-season market.

Suggested Questions and Answers

1. How would you describe Jake Burton Carpenter and his management style?

Jake style can be seen through a number of different perspectives. He would be high on both types of leadership behavior, concern for people and tasks. Path-Goal theory would suggest that Jake adjusts his style to support subordinates or to clarify goals. Several other examples are provided in the text of the case.

2. How would you describe the corporate culture he created? How/why did he continue many of the earlier perks and company policies?

The informal corporate culture is defined by Jake and stories of the origins of the company provide for the shared experiences and contribute to the strong culture of the company despite its large size. The company remains strongly committed to employees and to service of its customers.

3. Why is it still important to Jake to hire snowboarders?

Jake understood that even support staff, such as accountants and human resource managers, needed to fully appreciate the sport and that contributes to the task significance and identity loaded into each job.

4. Jake refers to his strategy of maintaining quality images through the “scarcity principle.”

What do you think he means by that comment? What other policies support this image? Contrary to consensus marketing theory, Jake felt it was wise to have occasional outages of popular styles and models. That affects the customers, the retailers and distributors, and even the production processes. The W48 warranty policy is a strong supporter of the quality image.

5. How important are demographics and other outside changes affecting Burton?

The slow downward trend in the ski industry was known since the 1970s. Popular Olympic skiers, new technology in lifts construction, and even snowmaking equipment were pursued vigorously by the snow sport industry to stem the decline until the mid-1980s. Since then, snowboarding popularity, combined with a growing youth population has actually grown the snow sports industry. Even the weather has had impact.

6. What would you have done if you were Jake when the James Bond movie came out?

Jake did the right thing when he decided to open a production facility in Europe. His ability to strategically plan for the Burton presence in Europe in a high tech facility was a key to spectacular growth.

7. Explain two reasons why Burton has not put its label on non-snowboard products.

To maintain exclusivity and quality of the Burton name, and to project a consistent, focused image of the brand. Note however that the Burton catalogue and Website do contain all of the brands carried by the Burton Snowboard company. Customers generally know which brands that the Burton Company own, even if the product is surfboards.

8. How is Burton technology R&D related to strategic success?

The Burton Website contains photos of boards created from the early days to the present. The shape and size of the boards have changed as well as the material, flex rating, and other qualities. Each board in the current Burton line is tested and rated on numerous factors so that a buyer can match his or her style, height/weight and other factors to customize their board. This is similar to being fitted for a set of golf clubs. Burton pioneered such technology and customer orientation. He continues to differentiate

Burton from the competition through technology and thus command the highest price points.

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!

Jake’s was about the only board around at the time, and only a few had seen a “competitive” snowboard. He had to demonstrate the sport before he could sell the board. If a customer asked a local ski shop about the board, the retailer likely would know about Burton.

10. If you had to write a mission statement for Burton (which Jake won’t) what would it be?

Rather than focus on words such as “board,” perhaps the mission statement should relate to the target segment and their psychographics: satisfying the recreational and fashion needs of a youthful rebel population?

Suggested Assignments

1. A merger and acquisition frenzy has been experienced in the sporting goods industry, especially since the mid-1990s. A student industry analysis would be enlightening, especially since it would uncover corporate ownership of brands commonly known to students. Separate assignments could be done for different sports and related products.
2. The rich images and tracking styles used in the Burton Snowboards company Website are a good source of learning about target marketing, psychographics, product line development, pricing and other issues. Students should generally be enthusiastic and forthcoming after reviewing the site and responding to strategy-related questions, even before reading the case.

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*Because Burton Snowboards and related companies are privately held, no financial or internal information is available.

