Case Study of Oakley, Inc.
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1. Introduction

In 1995 the World Wide Web was introduced to people for commercial use. Many companies saw that as an opportunity to minimize or even eliminate the intermediaries between the customer and the producer or manufacturer and by doing so to increase their profitability and offer their products or services at lower prices. Many new companies appeared on the market with completely new and different internal and external marketing strategies. Some of them moved part of their business online; some of them didn’t even have a brick-and-mortar distribution channels anymore. This transition lasted few years during which companies understood that going online doesn’t always mean you will be successful. Some companies did great, some failed, but for my case study I chose a company which found the ways to use the Internet and all its capabilities to help them become the leaders of their market.

2. Company overview

Oakley, Inc. is a worldwide known company. Its principal activities are to design, manufacture and distribute consumer products. These products include performance and prescription eyewear, athletic equipment, apparel, footwear and watches. Its products are sold through 32 O Store retail stores, 2 outlet stores, as well as 15,600 locations in the United States including optical stores, sunglass retailers, specialty sports stores for bikes, surfs, skis and golf, athletic footwear and sporting goods stores. Internationally, it has 11 O Store retail stores in different countries and products are sold
in over 100 countries with direct operations in Europe, Australia, New Zealand, South Africa, Mexico, Japan and Canada. Customers include Sunglass Hut International. Oakley, Inc. has 550 patents and 875 trademarks that include Square Wire®, Straight Jacket®, Kevlar®, Big Smoke®, Crush®, Bullet®, Time Bomb® and many more. Sunglasses accounted for 62% of 2002 revenues and other consumer products, 38%.
As we can see from the charts above Oakley, Inc.’s revenues and gross profits were increasing during 2001-2003, but Net Income after taxes is slowly decreasing. This is due to increased amount of company’s total assets and expenses. Major competitors in the market are well known Nike, Reebok and the world’s largest eyewear company Luxottica. According to 2003 statistics Oakley, Inc. employed 2,456 people.

3. E-Business Marketing Goal and Strategy

New Product Development and Distribution Channel Processes

Oakley, Inc. is mostly focused on New Product Development (NPD) process and distribution channel process. There are two major steps within the NPD process:

1. Idea generation (asking the customer to describe problems for which they need solutions);
2. Idea screening (determining if the idea meets company’s overall objectives, strategies, and allocation of resources);

The e-business component that primarily addresses distribution is supply chain management (SCM). SCM has become an important area of focus enabled by Internet technologies. To differentiate themselves from other competitors Oakley, Inc. uses category and distribution diversification strategy. All the products they create are made with great accuracy, using the latest technological and scientific capabilities and presented to the consumer in the best manner possible. Their retailers are carefully selected for their ability to add value to the Oakley brand through service and image. The company dedicates large amounts of resources for educating sales staffs and maximizing
product positioning. Although the company has a philosophy of selective distribution, it continues to target specialty retail shops for further market reach. Oakley, Inc.’s key focus is growth opportunity for 2005 introducing new categories and products.

**Strategic Overview**

- Oakley - a powerful global consumer brand with the leading sunglass position;
- Leveraging the Oakley brand and state-of-the-art design capability into new product categories;
- Distribution diversification through new strategic retail initiatives;
- Continued expansion of Oakley's retail store concepts;

**Recent Developments**

- Addition of electronics category provides significant new growth opportunity;
- Approved vendor status with the U.S. Army for combat eyewear offers significant opportunity for incremental growth in military sales;

**2003 Product Mix**

The Gross Sales of 2003 were $560.6 million. New Categories having 29.5% ($165.1 million) out of that, which shows that one third of all sales came from introducing new categories to the market. According to the latest statistics the Gross Sales of the
first three quarters of 2004 are up by 15.8% and average around $146.4 million.

New Product Introduction

The latest example of Oakley, Inc.’s NPD process would be an introduction of the world’s first performance eyewear combining patented optics with an internally integrated MP3 music player – Oakley Thump™. The new product was launched on November 20th at Circuit City Stores, Oakley O Stores, Iacon sunglass specialty stores, select Virgin Mega Stores and through limited specialty retailers. This is what Oakley Inc. CEO and founder Jim Jannard said about it: "This is the most important product in Oakley's history. Our team performed above and beyond the call of duty to get it to market in time for the holidays. We want everyone to experience the OAKLEY Thump™ music revolution firsthand." Right after its US launch the product was launched in the UK. Soon the international distribution should begin in countries like Canada, Mexico and Spain. Oakley Thump™ is expected to be a large contributor to company’s fourth quarter sales. In total in 2004 Oakley launched eight new sunglasses styles that include Zero®, Fat Cat®, Warden®, etc. the retail prices range from $85 to $155.

Apparel Growth

- Fastest growing and largest newer category contributor for past two years;
- Approximately 65% of sales generated from international markets;
- Accessories represent the largest segment of the category followed by lifestyle, fleece and outerwear pieces;
- Strong focus on sporting goods, surf, skate, snow, golf and mountain bike distribution;
• Women’s apparel represents close to 20% of the category (not including accessories);

**Prescription Eyewear Growth**

• Continued focus on market potential in both the ophthalmic frame and prescription lens categories;

• Dedicated product development including launch of 7 exclusive ophthalmic frame styles (21 SKUs) in first half 2004 and 3 additional exclusive frame styles (19 SKUs) launched in the third quarter;

• In-house lens processing labs increase capacity to meet demand, provide tighter quality control, simplified ordering and increased margins – European lab commenced operations Q3 2002 and Japanese lab opened Q3 2004;

• Increasing prescription penetration in existing 11,000 optical doors and opening approximately 50 new doors per month worldwide;

**Iacon – Sunglass Specialty Stores**

• In late 2001, Oakley acquired Iacon, Inc., a sunglass retailing chain located in Scottsdale, Arizona;

• Iacon operated 80 mall-based stores/kiosks, using separate retail concepts under the names Sunglass Designs, Sporting Eyes, Occhiali da Sole and Oakley Icon, at September 30, 2004;

• Sunglass Club – a new Iacon concept targeted towards outlet malls with the first location opened in southwest Florida;

• Oakley products increased from 28% of Iacon sales for 2001 to 32% for 2004;
• Provides Oakley with an excellent platform to expand retail operations and an experienced retail management team;

Financial Overview

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<td>2003</td>
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Key Growth Drivers

• Development of electronics accelerates growth of newer categories;

• Proprietary advancements in eyewear technology and new styling contribute to leading share;

• Enhanced product assortment combined with an expanded distribution network continue to make apparel the largest newer category contributor;

• Company-owned retail store expansion supports sunglass leading position and drives new categories;
• Strategic marketing initiatives drive demand;

4. Primary Stakeholders

Oakley, Inc. identifies two primary stakeholder groups: customers and investors. Customers are the ones who drive all the sales, leave feedback, promote and somehow are involved in company’s business. The website plays a big role in this case not just because it attracts customers, but investors too. There is a lot of information concerning stock information, corporate profile or press releases. It is accurate and up-to-date info; therefore investors can have no doubts about it. Plus, they don’t have to search through big amounts of data available online.

5. Value Bubble

Attracting

The attracting phase of Oakley, Inc.’s website consists of how this company lets people know what it is doing, how it is doing or when it is doing something. For that reason Oakley, Inc. has a very well built website which attracts a lot of traffic. First of all, Oakley is a very well known brand. This is a result of a good company’s positioning and branding strategies. It relies on understanding the customer or potential customer’s needs and wants. They especially focus on younger generation involved in winter sports, extreme sports, etc. They understand the idea of being cool amongst your friends and they use it for the business. For example, Oakley, Inc. sponsors a lot of extreme sports events letting big crowds of young teenagers be aware of their brand. There are few things on Oakley’s website that help them attract customer floats to it. First of all, there is everything what you need to know about Oakley’s newest products, existent products, future plans, etc. Everything there is extremely colorful, contains a lot of pictures, logos,
etc. For advertising they use famous people to add their brand name a scent of fame, wealth and good quality. For example, on the home page, every time you get there, you have a different famous person’s picture wearing Oakley glasses. The website has a “Find a Store” option which attracts people who are interested in buying Oakley glasses but don’t know where to get them. Because Oakley, Inc. focuses on new product development a lot of space on the website is dedicated to promoting the new product, updating the product’s sales info, newest press releases, etc. The website also has Investor Relations section where potential or existent investors can find all the latest financial or stock information. That’s why it doesn’t only attract customers, but investors as well. There is also a Careers section for people looking employment consisting of listed jobs available, benefits. In addition, at the bottom of the page company’s Affirmative Action policy is clearly stated. The Oakley Affiliate Program gives other websites the opportunity to earn cash by introducing visitors to Oakley’s brand.

Engaging

After you get a visitor it is very important to make him interested in the site, get him to stay longer and finally purchase your product. Oakley, Inc. does it by few features on its website. First of all, it gives you the precise information with high-quality pictures about every product they have on the site. It tells you what that product is made from, what it is best used for, best features, etc. In addition, it gives you a price range because often a product has different optional features that you can add to it. For people who might not trust transactions over the Internet or might not be very technologically savvy, a toll-free number is available for placing an order or talking to a sales representative over the phone. This adds value to the website and reduces the possibility of losing
customers. O Store® is Oakley’s main selling point. It offers the widest inventory of Oakley inventions, features a full selection of the company's sunglasses and expanding lines of prescription eyewear, premium performance footwear, apparel, accessories and watches. The O Store® also gives customers a unique opportunity to preview new generations of Oakley performance products. The website gives you a quick peak how the store looks like and gives you information where they are located. Every Internet user looks for easy navigation on any website. That is what you can find on Oakley’s website. You have a sublink bar which never changes while you are navigating through the website. The home page has a categories section for easier product access, most wanted section to show what is popular today, news section to show what is happening right now and many more useful features that help a visitor find what he is looking for easy and fast. A search tool is also available on every page.

Retaining

An easy navigated Oakley’s site is one of the key elements in retaining phase of Oakley, Inc.’s bubble value. It is very important that the visitor doesn’t go away with a frustrating experience of poorly organized site. To inform its potential or existent customers, Oakley has created a link for E-Newsletter sign-ups and catalog or mailer requests. The E-Newsletter request form is short and clear giving you an option to receive requested info by email or mail (giving the customer what he wants). It also gives you an option to choose what kind of E-Newsletter you would like to receive (segmenting its customers). But there is one main thing that Oakley states on top of the page: “We will never sell any information about you to anyone”. This shows that Oakley cares about its customers’ privacy and that is one of their main objectives. In addition, there is
completely separate section dedicated towards company’s privacy policies. That includes how the company gathers information about customers, how they use it, security issues and so on. Customer service is another important part of Oakley, Inc.’s retaining phase of the value bubble. As a proof of how important it is, we see two Customer Service links on top of their homepage and the bottom. Customer Service page has the major links to information concerning customer service, warranty, ordering and other issues.

Learning

Internet technologies help collecting data about how your customers feel about your website, how they navigate through it, etc. One way that Oakley, Inc. collects the data about its customers is through the newsletters. That is how you get a segment of people who want to know about Oakley and they tell what they want to receive. The second way you can reach the company and leave the comments or feedback is to send them an email. When this data is collected it increases the level of knowledge about the customers and it helps to interact with them in the manner they prefer. This especially helps in upgrading or enhancing your website, eliminating errors, creating new products, etc. Also there are two toll-free numbers if you would like to speak to a telesales representative or to get a return authorization, or to place a warranty claim through Customer Service. This method of collecting data from your customers emphasizes the closer, one-on-one contact with the customer. The website also has a Top Searches link which shows that Oakley stores data about what people search on their website.

6. Conclusion

In my opinion Oakley, Inc. will be successful in the near future; at least for another 5 years. My opinion is based on the facts of increasing Oakley, Inc.’s sales and
future forecasts. The sales for the first three quarters are lower than expected but strong fourth quarter sales are expected due to the introduction of Oakley Thump™, expected sales to the US Army for combat eyewear and introducing Circuit City as another distributor of Oakley sunglasses. Expected 2004 net sales reach around $580 million which would mean an approximate increase of 11%. Oakley, Inc. is doing a right thing focusing on NPD because it puts them where they want to be – the leader the market.

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