



# Will Gen Y Surfers Ever Catch the Digital Wave?

BY NEAL LEAVITT

**S**urfing. The very term connotes romantic images of Southern California beaches and bronzed surfers paddling out on their boards in search of that always elusive big wave.

But surfers won't need a wetsuit to catch the next big wave—digital.

New media companies like Bluetorch, HardCloud and Swell.com are in hot pursuit of the Generation Y surfing crowd—primarily young men between the ages of 16 to 24, who currently comprise about 7.4 percent of the Internet audience (according to a spring 2000 study by @plan).

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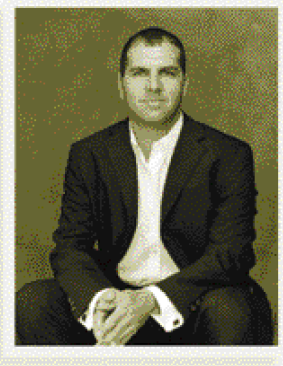
To capture part of the estimated \$15 billion-a-year surfing industry, these companies are pulling out all the stops, raiding established print magazines like *Surfing* and *Surfer* for top editorial talent, securing millions of dollars in venture capital and angel funding, and negotiating branding partnerships with leading surf-wear manufacturers.

The bugaboo is that the audience isn't huge—about 1.5 million—and it's too early yet to determine whether these industry newcomers can formulate a winning e-commerce strategy, cut economically viable deals with manufacturers, attract enough "eyeballs" to make their investors happy, and most importantly, turn a profit.

Germane to some of these concerns are the findings of a comprehensive DIGITRENDS survey of members of the Surf Industry Manufacturers Association (SIMA). SIMA is a non-profit organization founded in 1989 that represents more than 250 manufacturers and distributors of surfboards, surf wear, wetsuits, body boards, eyewear, footwear, accessories and other products.

Fifty-one percent of SIMA members who responded to the survey indicated they currently don't sell product directly on the Web through their own site. Half said they advertise on other Web sites, and of those that do, 9 percent of the ad budget is spent for online media. Seventy-six percent said Web site costs are part of the marketing budget, and 12 percent of the marketing budget is spent on the site. The top five Web sites they advertise on are *Surfline.com*, *Surfnut*, *SurferMagazine.com*, *E.Bodyboarding* and *Beachstyle Magazine*.

The bottom line is SIMA members are prepared to invest in online media. Their objective is simple—generate awareness of surfware apparel and do this by intersecting customers in relevant placements where they will be most receptive to the surfware message. But are there enough dollars to keep the new media upstarts and established surf media afloat?



**Matt Jacobson, CEO  
Bluetorch**

### BlueTorch Builds New Media Co.

Irvine, CA-based Bluetorch bills itself as a digital media company focusing on what Bluetorch CEO Matt Jacobson calls "underserved markets."

"We're attempting to build a new kind of media company," says Jacobson. "Our goal is to reach our target audience of young male surfers across multiple media platforms by combining traditional and 'next generation' interactive media."

Bluetorch is the first consumer brand of Broadband Interactive Group

(BIG), launched late last year. BIG, a privately held company, has received financial backing (Bluetorch declined to reveal any figures) from chip maker Broadcom Corp., also located in Irvine. Bluetorch's strategy is centered on offering an extensive integrated media package comprising events sponsorship, magazine placements, a TV show and their Web site. These include:

Events—Six competitive events, including this summer's 2000 World Championship Tour held in Huntington Beach, CA. City officials estimated the tour pumped about \$2 million into the local economy. That competition attracted the world's top 44 male and 15 female surfers with a combined purse of \$150,000.

Magazines—Bluetorch publishes and distributes free of charge four industry publications: *Bluetorch Wave Action*, sent to 1,800 specialty retailers in North America; *Slant*, geared towards teens; *Launch Wakeboard* (same demographics and editorial focus); and *Pit Bodyboard*, targeted towards the pre-teen crowd.

TV—On July 3, Bluetorch launched the Bluetorch Rush Hour, a one-hour TV show airing Monday through Friday on Fox Sports Net. Bluetorch is also using some of the material for its Web site and magazines.

Web site—Bluetorch's Web site covers the full gamut of extreme sports. There are separate icons for Surf, Wake, Snow, Bodyboard, Skate, Motox (Motorcross), Inline and BMX. The Surf portion of the site contains short features, a video section called "Sick Flicks & News," and regular departments and columns by well-known surfing industry figures such as Brock Little and Shawn Barron. There are also Surf Cam Links and a SoCal Weather Watch.

Bluetorch also recently formed two alliances with key portals. It has teamed up with Scour, a search destination for broadband entertainment, to provide Bluetorch-branded extreme sports content. The partnership will enable Scour users to find Bluetorch streaming videos and photos. When users click on the content, they will view the file in a co-branded media player. Bluetorch and Scour are also developing co-marketing programs, promotions and joint advertising on both sites focusing on the Gen Y audience.

Bluetorch is also partnering with Alloy Online Inc., another Internet



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destination for teens. Bluetorch is licensing its sports content to Alloy, which claims to reach more than 10 million individuals each month through its Web site, Alloy e-zine and Alloy catalog. Alloy is featuring key promotion and placement of Bluetorch content via these channels.

To churn out all of this content, Bluetorch has quickly beefed up to a 90-person staff, many of whom are former or current extreme sport athletes and/or editors from print surfing publications. Jacobson believes Bluetorch will be profitable within 18 months. "Digital convergence is the future of our industry and is how we're successfully chasing our target audience," he says. "If you want surfing on the Net, on TV or in print, you can have it."

**HardCloud Builds a 'Digital Amusement Park'**

HardCloud co-founder Jeff Brunings calls his nascent company, with offices in San Clemente and Palo Alto, CA, a "first-of-its-kind lifestyle network that brings people, ideas, brands and services together—a digital amusement park." The company's moniker is derivative of a meteorological term meaning a storm's pending on the horizon—an apropos analogy since Brunings believes HardCloud will also take the industry "by storm" when it debuts this summer.

HardCloud's brand strategy is to position editorial, community, utility and product offerings to its core audiences that participate in extreme sports. "We have a three-pronged approach: Web casts of industry events, live interviews and open discussions

with industry players, and editorial produced by and for our online communities," Brunings says.

The company has received \$6.5 million in venture capital from incubators IntendChange and eCompanies. Part of that change was used to acquire SurfCheck.com, which Web casts live surf and beach conditions via the Internet. The subscription-based service will be offered free of charge and SurfCheck.com also plans to install \$1 million worth of live surf cams at more than 130 beaches worldwide by the end of this summer.

"By integrating SurfCheck into the HardCloud network, we'll provide surfers with a better, more compelling way to get the information they need," Brunings says.

HardCloud to date hasn't formulated an ad model. But the company is rolling out an e-commerce strategy this summer. The company's Web site will feature an online store. It has partnered with Electron Economy, which specializes in creating sophisticated e-commerce operations, to help set this up. HardCloud has also inked a deal with a distribution firm (they declined to name it) that will maintain a warehouse stocked with surf, skate and snow soft goods, hard goods, and accessories.

"We have on board segment brand managers from action sports industries who have extensive experience in this arena," Brunings says, adding that HardCloud has entered into co-marketing programs with more than 50 manufacturers, including Billabong, Loft, The Realm and Counter Culture. The products from these companies will be featured in HardCloud's e-commerce store.



PHOTO: JEFF DIVINE

**Jeff Brunings  
Co-founder, HardCloud**



PHOTO: JEFF DIVINE

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are pretty well sewn up.”**

—Ken Cassar, Senior Retailing Analyst  
Jupiter Communications

### **Swell.com Also Targets Gen Y Surfers.**

Founded in June 1999, Swell.com maintains offices in San Francisco and San Clemente, CA. Like Bluetorch and HardCloud, the company targets Gen Y surfers, skaters and snowboarders. Financially, Swell.com appears to be well positioned. In May, the company received \$15 million in Series A funding from a group of investors, including Richland Ventures of Nashville, TN, and Edgewater Funds of Newport Beach, CA. The funding further augments \$7 million of angel funding it received that helped launch the business.

Chief operating officer Doug Palladini, former executive publisher of EMPA USA's Sports Action Group, says Swell.com, which is slated to go live later this summer, wants to position itself as a one-stop resource for surfers. “We have top-flight editorial talent that has come on board from leading surf publications,” he says. “We're working to develop a deep amount of content, commerce and community. We're also creating revenue opportunities by entering into extensive site sponsorships—all of which are major retailers of surfing gear and apparel.”

Earlier this year, Swell.com paid more than \$5 million for Surfline and Surfinfo.com. Surfline provides storm-forecasting information that surfers check so they can catch those ideal waves. It has live surfcams and updated surf pictures from more than two-dozen prime surfing spots worldwide. Surfline.com, the service's online version, claims to have 325,000 unique users calling up more than 4.5 million pages per month. Surfinfo.com is a smaller version of Surfline and focuses on the East Coast of the United States.

In late May, Swell.com relaunched Surfline.com. It features “Surf Alert” that utilizes push technology, allowing users to register their favorite place to surf and receive e-mail messages whenever sizable waves are headed their direction. Swell.com's Palladini hopes that the acquisitions will bring commerce and community to its content-based site. “With Surfline.com we have the most visited surfing site on the Internet,” he says. “We believe we're in a good position to reach surfing enthusiasts in every way possible.”

### **Catch the Digital Wave, Dude**

Will companies like Bluetorch, HardCloud and Swell.com make it? Ken Cassar, a senior retailing analyst for Jupiter Communications, believes they have a good shot. Jupiter predicts online sporting good sales will rise from \$209 million to \$1 billion by 2003; online apparel sales will increase from \$1.4 billion to \$6.7 billion.

These companies aren't going after a huge market, which might serve them well.

“This is a niche business—mass market categories on the Web are pretty well sewn up,” Cassar says. Surfwear manufacturers are generally bullish.

Bill Holford is director of marketing for Rusty Surfboards and Apparel, which sells throughout the United States with licensees in Australia, Europe, Japan, South Africa, Brazil and Peru. Rusty has an ad program in place with Surfline (on a surfcam site), which gives their brand good recognition and helps drive customers to the company's Web site, Rusty.com. But Holford says they are still listening to what various dot-com companies have to say before they commit to any kind of program.

“Certain products will lend themselves to online sales—like hats, T-shirts and accessories,” Holford says. “It would, however, be tough to walk into an online surf shop and pick up a custom surfboard because people want to check out the materials, features, and most importantly, the fit. There are also the intangibles that the Web cannot duplicate such as the sight, sound, smell and the vibe of being in a retail shop.”

Peter “PT” Townend, SIMA's current president and publisher of Surfing Group (*Surfing*, *Surfing Girl*, *Surf Guide*, *Bodyboarding*), isn't convinced that Gen Y surfers will sit around terminals all day looking at Web content from these new media companies. Townend was the surfing world's first World Champion Surfer in 1976 and has done color commentary for ESPN. “These young people just want to surf. The best time to catch them online is at dawn when they want to find out about waves—it's just a natural thing,” he says. “They'll use the Web as a tool to get their surf information, then head outdoors. They don't want to sit inside all day.”

Townend adds that the big question mark is the audience duplication. “The same audience built from Surfline advertises in *Surf*. Are we increasing the number of viewers or simply mining from the same audience?” he asks. “I'm not convinced yet that these new ventures are offering anything different. They offer immediacy, but to succeed it comes down to eyeballs. There will be both an offline and online shakeout as there isn't enough revenue for all of these ventures to survive. The lines aren't defined yet.”

Stay tuned, dude. ■

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