

Crocs has come a long way since the launch of its first Beach shoe and now offers more than 250 designs.

PHOTO CREDIT: CROCS



Against the odds

At the beginning of the financial crisis in 2008, shares in the US-based plastic sandal brand Crocs plummeted by 44.7% to \$4.95 after a string of disappointing trading updates. The following year, the then CEO of the company, John Duerden, said that he never wore the shoes and that his family, including his teenage daughter, looked upon them with disdain. In May 2010, *Time* included Crocs shoes in its list of the world's 50 worst inventions. So it came as something of a surprise when the polarising shoe brand announced in January this year that it expects to post revenues of more than \$1 billion for fiscal 2011.

For a company to garner such revenues in a decade is nothing short of impressive. But when you take into account the financial trouble the brand was in a few years ago - not to mention the outright hatred that fashionistas have unleashed upon the plastic sandals since their inception - the achievement is utterly remarkable. It has been widely reported that the Colorado company succeeded in driving its revenues on the strength of its brand and solid presence in the international market, but the uphill strategic battle the bulky shoes faced has been largely overlooked.

On announcing the company's third quarter financial results, John McCarvel, the current president and CEO, stated: "We continued to experience strong global demand

Once considered by many to be just another passing fad, the Crocs brand has made it through its financial hurdles and recently announced that revenue for 2011 will have exceeded \$1 billion.

versus the prior year period, particularly in Asia. The performance of our spring-summer 2011 product line and the composition of our backlog at September 30, 2011 underscores the progress we have made diversifying Crocs beyond its clog origins. We still remain confident that our long-term brand and growing selection of sneakers, casual shoes, and boots have the ability to penetrate the cold weather selling season in each of our geographic regions. While these are competitive categories with established leaders, we believe we can continue to capture market share and further reduce the seasonality of our business over the long-term."

In the third quarter, revenue jumped 27.5% to \$274.9 million. Sales rose 24.3% at wholesale, 31.4% at retail and 33.7% at internet. Gross profit increased 23.9% to \$147.2 million.

Variety

Crocs sells more than 250 designs for men, women, and children, and it is this vast product offering that seems to have bolstered the brand. Mr McCarvel recently said that one strategy in stores during 2011 was to offer more visual merchandising and more gifting opportunities with accessories, hats, gloves and socks. Clogs are less than half of the company's business globally, he added.

The tale of Crocs begins with a Quebec company called Foam Creations, which developed and launched a spa shoe named the Beach in 2002. The 200 pairs that were produced sold out at the Ft. Lauderdale Boat Shoe in Florida. In June 2004, the three friends who founded the Crocs company – Scott Seamans, Lyndon "Duke" Hanson and George Boedecker – purchased Foam Creations and its manufacturing operations to secure exclusive rights to the proprietary foam resin called Croslite. The foam forms itself to a wearer's feet and is said to offer medical benefits.

In 2006, Crocs purchased Jibbitz, a manufacturer of accessories that snap into the holes in Crocs shoes, for \$10 million, or \$20 million if Jibbitz met earnings goals. The following year, Crocs acquired assets of footwear maker Ocean Minded, and agreed to buy shoe firm Bite Footwear.

By 2007, the company had applied to register 'Crocs' and the Crocs logo as trademarks in over 40 countries, including the US. Crocs also extended the scope of its trademark registrations and applications for both the Crocs mark and logo to cover non-footwear products including sunglasses, goggles, knee pads, watches and luggage.

Out of favour

However financially successful Crocs may have become in the few years since they were launched, there was a different picture in the fashion world. The plastic shoes polarised opinions and many style journalists described them as a 'fashion disaster'. A *Washington Post* article in 2006 summed up the mood: "Nor is the fashion world enamoured of Crocs. Though their maker touts their 'ultra-hip Italian styling,' lots of folks find them hideous". Fashion consultant Tim Gunn told *Time* that the shoe "looks like a plastic hoof," while a number of websites and social media groups were set up to try and eliminate the shoes.

Then came the financial crash of 2008, and shares in the sandals plunged. While the economic situation in the US and Europe was largely to blame for the slump, so was the shoes' fading popularity, and it was suggested by the media and analysts that the shoes were little more than a fad. "The brand is over," said Robert Samuels, an analyst at JPMorgan in New York. In April 2008, Crocs closed its Quebec factory, making 670 people redundant. Things were looking bad for the brand, but Ron Snyder, then CEO, insisted he was "confident about long-term prospects". "We believe many of our markets are under-penetrated and should provide meaningful growth opportunities for our products well into the future," he said.

When John Duerden took over as CEO in 2009, he admitted that Crocs represented "one of the toughest turnarounds" of his career. The company concentrated on its core offerings and shelved certain lines, including its clothing brand and You, the upmarket brand of women's shoes. Mr Duerden said he had no immediate plans to bring

the lines back and instead would focus on keeping existing customers. He admitted the shoes were unlikely to impress fashionistas but said: "We want to drive the brand at people who choose to be happy, rather than right." He told *Women's Wear Daily*: "The biggest problem for us is reconnecting with our customers, retailers, in particular. We need to rebuild our reputation with them, which has suffered as a result of such rapid growth, and we need to improve the level of service." He said that although he saw the company as "like a shooting star" and had previously dismissed it as a fad, he still believed there was a "passionate group of consumers out there".

Billion dollar brand

To get the brand out of danger and back on track, Crocs expanded its retail presence and introduced a wider range of shoe styles. This year, it began a licensing spree to spread the brand name and attain more revenue. "Licensing presents an opportunity to leverage one of our most valuable assets – the global power of the Crocs brand – by



Crocs footwear has polarised the fashion industry but the brand is determined to cultivate a fanbase of young women.

PHOTO CREDIT: RENE TILLMANN / MESSE DUESSELDORF

associating it with best-in-class products that go beyond footwear," said Mike DeBell, Crocs VP of global sales. "More than 200 million pairs of Crocs shoes have been sold, in more than 90 countries around the world. That's powerful testimony to the connection forged with consumers by the Crocs brand. Through strong international and regional licensing partners, we plan to extend the power of our brand and make new consumer connections."

Crocs' new golf shoes with Hank Haney, for years coach to Tiger Woods, were recently named best new product at the PGA Tour merchandise show. Crocs-branded hats, bags, backpacks, socks and gloves will soon be launched by the Accessory Exchange. Then will come Crocs children's apparel will follow in April from A Group, quickly followed by the launch of Crocs sunglasses and sunglass accessories from Eye King LLC.

"As we continue to explore these and other new collaborations, I am confident our license partners will help us grow and spread our brand," Mr DeBell said.

It looks like the Crocs brand has survived its rollercoaster first decade, but this is no time for the company to rest on its laurels; let's hope for its sake that CEO Mr McCarvel knows this. "Exceeding \$1 billion in revenue in less than 10 years is a testament to the power of our global brand and the potential of our company," he said. "Few companies in our industry have reached this milestone so quickly. As we begin our 10th anniversary year in 2012, everyone at Crocs can be proud of what we've achieved together, and we're looking forward to the next 10 years." 📌



The practical and comfortable shoes remain popular with parents and children.

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