



Subcultural enterprises, brand value, and limits to financialized growth: The rise and fall of corporate surfing brands



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ABSTRACT

Geographical political economy increasingly scrutinises the socio-spatial contexts for brands and branding. Less understood is the influence of subcultures – neo-tribal groups sharing passions, a leisure pursuit or practice - on enterprise formation and the pathways through which brands emerge, trading on perceived authenticity. Subcultural contexts, we argue, unleash distinctive trajectories of enterprise formation, reputation-building, value-creation, global expansion and accumulation, and ultimately destruction. Here we focus on how particular subcultural values – of authenticity, competition, risk-taking, and active participation in ‘scenes’ – interact with capitalist growth dynamics, and where over time and space such intersections bring brands unstuck. Using the case of surfing subculture and collapse of corporate surf enterprises (Quiksilver, Billabong), we theorise sub-cultural brand value creation and its interaction with financialized expansion, culminating in destructive contradictions. Subcultural enterprises with ‘authentic’, ‘back-of-the van’ origins convert subcultural values of credibility, localism, risk-taking, and scene participation into brand value. Trading on place-origins and sub-cultural authenticity, enterprises expanded in two phases. First by widening distribution using specialist ‘surf’ retailers, and second by offshoring production, public floating, and debt-financing brand acquisitions and massive retail expansion. Dictates of shareholders and investment banks spurred market saturation, and high-volume/low-quality goods. Surfing’s cherished insouciance gave way to unhinged expansionism and unmanageable debt. The subcultural authenticity that spawned brand popularity was undermined, amplifying financial risk. Disenchanted consumers who once co-created successful brands also co-destroyed them. As subcultural brands proliferate, geographical political economy must be attentive to subcultures as spawning-grounds for enterprises with accompanying limits to market growth, (dis)connections, and values.

1. Introduction

In September 2015, multinational surf brand Quiksilver (ZQK, New York Stock Exchange) began Chapter 11 federal bankruptcy proceedings in a Delaware court (U.S. Bankruptcy Court 15-11880). Within three years, Quiksilver’s annual revenue had fallen 30% and debt had increased beyond US\$800 million. Fellow multinational surfing label Billabong (BBG, Australian Stock Exchange) was also in crisis, having just faced a messy US\$350 million restructure in 2014. The founders of Rip Curl, the third of the ‘Big Three’ global surf brands, proposed and then abandoned a A\$400 million sale amidst falling profitability, leading to the high profile exit of its Chairperson (Greenblat, 2014). The restructuring of these global brands encompassed take-overs by private equity consortiums, dilution of shareholder ownership, major losses for creditors, the fire sale of subsidiary brands, and large job cuts across production networks. Once at the core of a seemingly ever-expanding international market for clothing and apparel, surf megabrands became

pariahs of international retailing, stripped of their ‘cool’ cachet, and subject to continual admonition from business analysts and commentators.

Much broadsheet commentary surrounded the crisis of corporatised surf enterprises. It largely interpreted collapse through frames familiar in international political economy. Blamed were spiralling debts, contracting consumer spending following the global financial crisis (GFC), merry-go-round volatility within corporate boardrooms, and poor management strategy leading to a loss of legitimacy within capital markets (cf. Khouri, 2015). Such narratives are consistent with economic geographic analyses of the debt-financed global expansion of transnational firms and accompanying crises (Fagan and Le Heron, 1994; Wood et al., 2016). But they only partially explain the collapse of corporate surf brands. Here we seek to provide a fuller account that integrates a geographical political economic analysis of financialized growth with factors arising from the subcultural origins of enterprises themselves: origin/formation narratives, value creation and

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destruction, and subsequent collapse not just in debt and risk but also brand legitimacy. We emphasise interactions and tensions between market logics of global expansion and capital accumulation and grounded subcultural values of authenticity, risk-taking, competition, and social connections within subcultural ‘scenes’.

Values that infuse subcultures include origin narratives: enterprises having originated from within a genuine place-based ‘scene’ of participants espousing countercultural practices. Subcultures are groups of intense and passionate consumers with shared interests or pursuits, sometimes referred to as ‘neotribes’ (Cova et al., 2007). Countercultural values generate profitable opportunities for enterprises that emerge from subcultural origins, such as music, fashion, and surfing, underpinning brand value creation as firms scale-up from localised, grass-roots beginnings to global production and distribution networks (cf. Yeung, 2014). Increasingly, geographical political economy is scrutinizing the socio-spatial contexts of brands and branding – including strategies to market commodities via origin narratives and place connections (cf. Pike, 2015; Yeung, 2014; Crewe, 2017). But rarely integrated into economic geographies of brands and branding is the influence of subcultural contexts and values. Indeed, subcultures are rarely taken seriously within academic economic geography (for exceptions see: Bader and Scharenberg, 2010; Lange and Burkner, 2015). Examining the case of collapse among corporatised surf brands, we theorise how dynamics relating to global expansion, financialisation, and accumulation pathways interact with subcultural value creation and brand authenticity to unleash destructive tensions.

Supporting our argument is empirical detail collected within a broader research project concerned with crises in the surf industry. Between 2008 and the present we have pursued a longitudinal study of the surf industry. More than 200 interviews with key actors in the industry have been conducted to date, collecting 600 hours of audio recordings. These have included direct employees of the Big Three surf brands, contracted surfboard manufacturers, surf clothing designers, apparel retailers, surf media figures and representatives from the Surf Industry Manufacturers Association (SIMA). Our analysis below draws on these sources. Additionally, historical information was collected from archives held at the Surf Heritage Foundation (California), Surf World Museums (Victoria and Queensland) and Bishop Museum of Polynesian Cultural Heritage (Honolulu). Quantitative data on Quiksilver and Billabong were compiled using publicly available financial reports statements to investors (2005–2015). Transcripts from 34 investor meetings with Billabong (2001–2015) and Quiksilver (1997–2015) executives were also analysed. As Rip Curl is privately owned, financial information was triangulated using print media, company statements, and our own interviews with employees. From these empirical observations, a picture emerges of how global expansion, debt, and risk interacted with the subcultural groundings of surf brands.

Accumulation pathways for surf brands emerged from the possibilities of selling a ‘cool’ lifestyle and subversive semiotic meanings to consumers beyond the subculture (Lawler, 2012). Surfing’s connotations as care-free, insouciant and countercultural offered a potent commercial package (Warren and Gibson, 2014). Subcultural commodification occurred in successive waves: first in Hawai’i, where surfing accompanied tourism marketing, and second in California where it was used to promote hotels and real estate (Warshaw, 2010; Shaw and Menday, 2013). Then in the 1950s the globalisation of surfing intensified, via American music, film and television shows, spreading to Australia, Europe and beyond. From the 1960s, internationalisation enabled nascent equipment, fashion and apparel industries to emerge. Our empirical analysis elucidates such phases, focusing especially on the latter period, when local surfing subcultures bred enterprises that became iconic brands, and then multinational corporations. Early entrepreneurs from Australian coastal towns developed equipment and apparel brands, establishing early distribution and retail networks. Rarity value for surf products accrued through restricted availability. As

brand reputation propagated, licensing agreements, distribution rights and retail networks expanded into more locations and outlet types (including shopping malls). Surfing’s insouciance, competitive spirit, and ‘culture of risk’ (Walton and Shaw, 2016), permeated enterprise strategies and expansion. The balance of profits derived not just from core equipment (surfboards, wetsuits), but increasingly from general fashion items – t-shirts, sunglasses, swimwear – with wider consumer appeal. Debt-financing, vertical integration, standardisation, acquisition and diversification strategies followed (Gibson and Warren, 2017). By 2005, Quiksilver and Billabong were billion-dollar enterprises, listed on stock exchanges in New York and Sydney. Surfing subculture grew to underpin a US\$13 billion global industry (Global Industry Analysts, 2016). Once ‘grounded’ in subversive counterculture, surf enterprises became highly financialised corporations with standardised production, marketing, and distribution networks.

However, the deepening integration into global circuits of financial capital, product homogenisation, and pursuit of endless growth to satisfy shareholders, progressively undermined subcultural origin narratives, and values of surfing credibility and participation that were key to market value. Alongside faltering legitimacy (cf. Wood et al., 2016), corporatised surf brands experienced declining sales, falling profit margins, and unserviceable levels of debt. Capitalist principles of market expansion, economies of scale, and increasing sales volumes collided with anti-establishment values, the need for authenticity, and origin narratives that connected brands to local subcultural scenes (cf. Driver, 2011; Beaumont and Brown, 2015). Corporatisation and debt-fuelled expansion approached and then exceeded certain limits, jeopardizing the enterprises financially, but also undermining subcultural legitimacy. Consumers who co-created the brands also co-destroyed them. The collapse of brand authenticity in turn afforded opportunities for renaissance localism, and space in the market for new niche players with more credible subcultural connections. Through the case of surfing, we explicate broader implications for understanding subcultural origin narratives, enterprise formation, brand value, and expansion under global capitalism.

After surveying and linking relevant literatures on the economic geography of brands and commercial salience of subcultures, our analysis is structured in two main parts. First, from research on the surfing industry (with workers, firms, and consumers) we trace accumulation pathways, examining how waves of subcultural commodification and marketisation evolved. Packaged into clothing, apparel and fashion products, surfing came to embody a highly profitable industry. Adding to critiques of orthodox economic knowledges predicated on naturalised market relations, we examine the ‘market shape’ surfing subculture spawned (Polanyi, 1977). Subcultural groundings shaped brand values, market strategies, and initial expansion (cf. Jessop and Sum, 2010). Subcultural values and meanings permeated the entire production system: from the design and manufacture of clothing/apparel, to commercial business dealings and retail stores selling branded goods. Early international expansion tapped into emerging specialist surf retail networks. Surf firms were initially created and led by surfers, whose passion for the sport, connections to the subculture and proclivities for risk-taking were atypical to the corporate managerial class. The result was a collection of brands reaching a certain market size that held subcultural credibility in tension with growing geographic and market reach.

Second, we explore interactions between the subcultural groundings of enterprises and processes of capitalist expansion, debt financing and risk. While acknowledging that the global financial crisis impacted negatively upon surf brands and fashion retail (cf. Crewe, 2017), we detail longer-run contingences and outcomes, emanating from the subcultural contexts of surfing brands. Our argument is that the roots of collapse stretch further back, to historical attempts to commercialise surfing, and to the place-and time-specific evolution of subcultural enterprises. We trace the market tactics of surf enterprises following early international distribution, including public listings, and pursuit of

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