



Success ByDesign Profile: Skullcandy

TRENDING

A head(set) for savvy branding and expansion.

For some people, opportunity knocks. In Rick Alden's case, it was sent to voicemail.

Alden missed an important cell-phone call while sitting on a ski lift in Utah because he couldn't hear the ring through his MP3 headphone. Then he noticed the same thing happen to people traveling by train and subway in Tokyo and London.

Thus, in 2003, Skullcandy was born. This year, the company will sell an estimated \$120 million worth of stylish headphones that allow users to listen to music, then switch over to their phone to take a call. Even with the recession, the company's sales are still growing at a dizzying 50% a year.

Finding an untapped niche

Skullcandy is a case study in careful branding and savvy expansion. The company's headphones found an untapped niche among snowboarders, skateboarders, and action-sports enthusiasts. Originally, the focus of the company was its technology, which combined state-of-the-

TABLE OF CONTENTS

[Digging Deeper into Cash Flow](#)

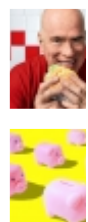
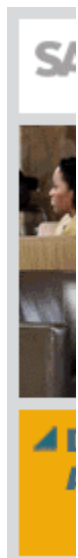
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art headphones with hands-free cellular technology. Quickly, Skullcandy realized its real strength was as a hip, edgy brand that made a fashion statement.

The company's Park City, Utah, office is modeled after an indoor skate park. Employees race down the corridors on their boards. "We keep focused on the lifestyle and pump that energy into our product brand," Alden says.

Today, 90% of Skullcandy's customers don't even ride, but want to feel like they do—the headphones have become such a hip status symbol that every teenager wants the company's Skullcrusher, Full Metal Jacket, or Double Agent models.

Jeremy Andrus, president of Skullcandy, notes that the strict emphasis on branding allowed the products to expand into unusual outlets that never carried headphones before. "If you go to a skate park, you won't find many people wearing Sony or Bose T-shirts," Andrus says. "Our success is because we focus on lifestyle."

Skullcandy has also expanded into mass retailers such as Target and Best Buy. But Andrus notes that the company also turned down many retailers, even when it could have used the cash, because it didn't want to diminish the edge of the brand by making it available in too many places.

"Because we've maintained our authenticity, our products are relevant in other parts of the world," Andrus says. "In Dubai, there aren't any snow hills, but teenagers and people in their early 20s still want our headphones. We speak to the lifestyle of our customers, who really care about music and brand."

Better supply-chain management

With its rapid expansion, Skullcandy is now focused on improving supply-chain management. "At one point, we may have set the record for a company with the highest amount of revenues that still operated with QuickBooks," Andrus says. "We were a little penny-wise and dollar-foolish, not investing in our distribution capabilities."

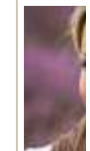
In 2008, Skullcandy implemented SAP® Business ByDesign™, the leading integrated on-demand solution for rapidly growing midsize companies, to support its escalating growth. The result was a highly scalable infrastructure, making the company more process-oriented with better supply-chain visibility.

"We're much better at forecasting now," Andrus says. "We don't keep too much inventory on hand and we also don't have sudden shortages that require us to spend a lot of money flying in products rather than [ground] shipping them in. We have a greater ability to be strategic and get our products from point A to point B at the right time."

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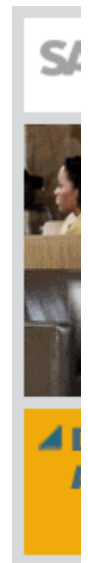
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