

UGG

THE BIRTH OF A BRAND

HOW TO BUILD A
BILLION-DOLLAR
BRAND



BRIAN SMITH

Founder of the iconic global Aussie brand

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BILLION-DOLLAR BRAND

BRIAN SMITH

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Praise for Brian Smith and *The Birth of a Brand*

As an entrepreneur myself, I found this book to be an eye-opener for me and very likely for most entrepreneurs. For me, there was one *aha* after another that will help me plan and execute future business strategies.

Thank you, Brian for your business insights!”

—**Dr. Tony Alessandra**, hall-of-fame keynote speaker and author,
The New Art of Managing People and *The Platinum Rule*

“What a ride! This book is a case study of lessons learned from failure. Read, reflect, and implement strategies that will help you achieve business success. The underlying current of providing incredibly good customer service is critical for any business wanting to stand the test of time.

Good on ya, Brian!”

—**Tom Hopkins**, author, *How to Master the Art of Selling*

“As a successful entrepreneur, Brian doesn’t ‘own the t-shirt,’ he’s got the boots to prove it. You’ll learn much about business and life as you follow his interesting journey to build a major brand.”

—**Mark Sanborn**, author, *The Fred Factor* and *You Don’t Need a Title to be a Leader*

“Success is a journey, and I encourage you to read Brian Smith’s *The Birth of a Brand*. As a very successful entrepreneur, this book relates the story of how learning to face obstacles can lead to success that most people only dream about.”

—**Don M. Green**, executive director, Napoleon Hill Foundation

“Wow! An exciting, captivating life adventure of ups, downs, and twists that will stir your spirit, stimulate your creative imagination, and light your fire! It’s a valuable read that will re-ignite your emotions, germinate new ideas, and revitalize your life!”

—**Ed Foreman**, entrepreneur, US Congressman (Rtd.), Texas and New Mexico

“A captivating and compelling read! This book shares the story of the grit and determination that it takes to build a massively successful business! Brian Smith teaches lessons that not only help you to grow your business, but also to grow yourself. Read it and reread it—

I highly recommend this book!”

—**Dr. Willie Jolley**, CSP, CPAE, Speaker Hall of Fame member, author, *A Setback Is a Setup for a Comeback* and *An Attitude of Excellence!*

“Brian Smith brings to life the journey every entrepreneur faces in making his dream a reality. *The Birth of a Brand* will give you perspective and encouragement to get through the tough days and a foretaste of the satisfaction you’ll feel in overcoming obstacles and achieving success. Best of all, you’ll find real-life insights and practical tips you can use in making your dream take flight. Don’t just buy this book; live it.”

—**Terry Paulson, PhD**, national columnist, speaker, and author, *The Optimism Advantage*

“*The Birth of a Brand* is vintage Kipling, when he wrote, ‘To meet with triumph and disaster and treat those two imposters just the same.’ You will enjoy Brian’s trek because in it you will find the essence of your life’s journey.”

— **Dr. Jim Tunney**, educator, author, and former NFL referee

“Brian Smith’s *The Birth of a Brand* is a must-read for every college business major for its wisdom and insight into launching a billion-dollar business. Written in a highly engaging style, Brian’s message will resonate with the entrepreneurial you as you join him on his seventeen-year journey to capture the hearts and feet of America. Incredible lessons of courage, determination, and creating opportunities can be practically applied to any business that strives for success. You cannot put this book down until you’ve read it through, highlighted every principle, and begun putting them to work in your own business.”

—**Hank Boyer**, CEO, Boyer Management Group

“*The Birth of a Brand* provides the reader with tremendous insight into business and life. As you read about Brian’s journey, it becomes clear that he is not only a gifted storyteller and successful entrepreneur, but a keen observer and student of business and the critical variables that make it work. This is a great read for anyone interested in the real factors that make a business successful!”

—**Mitch Fairrais**, president, The Learning Experience Company, Inc.

“Success is not a theory. It is a follow-the-leader proposition. This book is required reading for all entrepreneurs, especially those struggling in the ‘infancy stage,’ where most people give up. Brian’s description of the seven stages of the business life cycle will illuminate the way you think about your business forever.”

—**Jim Stovall**, bestselling author, *The Ultimate Gift*

“A compelling story full of valuable takeaways any business person can use. It is a feel-good book where the numerous trials are overcome by super triumphs. Startup entrepreneurs need to put this tremendous book on their must-read-soon list.”

—**Patrick O’Dooley**, CSP, author *Flight Plan for Living*

“Need a boost? Brian Smith spent more than a decade dealing with adversity without giving up. And he succeeded! If he did it, you can too! This book will give you straight talk and inspiration. Read it!”

—**Vicki Hitzges**, international motivational speaker and enthusiastic UGG wearer

“Brian’s book reads like a mystery novel—with intrigue, antagonists, tragedy, and celebration—but it’s a real story with real people in a real company. And Brian gives us many strategic insights from what he learned along the way. Highly recommended reading.”

—**Stephen Tweed**, CSP, CEO, Leading Home Care

“*The Birth of a Brand* will energize the entrepreneurial mind. Brian demonstrates how courage and determination can withstand any adversity one might face on their journey to success.”

—**Dr. Joe L. Dudley, Sr.**, co-founder, Dudley Products, author, *Walking By Faith*

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Preface

I don't recall learning to surf. It just happened. Around the time I was seven or eight, I would borrow one of the immense, hollow wooden surfboards belonging to the local surf lifesavers club and play for hours in the two-foot-deep whitewater, dragging the board out from the beach and balancing on it as the swells made it rise and slide, and then pushing off on small waves that carried me a few seconds to the shore.

Before long, I was seeking out bigger waves, eventually those twelve- or fifteen-foot-high monsters that made it feel like I was jumping from the top of a building, savoring the long moments of free fall as the board teetered on the crest and dropped into the face.

My passion for surf has driven me to this day, affecting where I have lived, worked, and vacationed for more than forty years. Surfing, like sailing, becomes a way of life, allowing you to see the world from the shoulder of a vastly more powerful presence than yourself. It sets human endeavor in proportion and reminds you that setting a goal and reaching it is never solely the result of your own effort; it's a negotiated partnership with the universe.

My favorite surf of all time is still ingrained in my senses as if it just happened. A summer sunset at Broulee Beach—I was in my late teens. The warm air and water embraced me, and the surf was almost flat with only an occasional one-foot swell rolling below me. For more than an hour, I sat on my board, looking inland toward the setting sun, mesmerized by the orange sky and the millions of ripples stirred by the offshore wind. Every time a wave rose to break, a spray of luminous red, gold, and purple droplets blew skyward. Around dark, I paddled the short distance to shore.

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It was the only time in my life that I've had a surf without catching a single wave.

It was the closest I've come to touching the hand of God.

To this day, whenever I make it “out the back,” behind the breaking waves, I offer a little prayer of gratitude—for that experience, for that partnership with the universe. It can give me goose bumps just thinking about it.

• • •

That connection with the universe—it has always guided me. When I moved to America, it guided me. When I started UGG, it guided me. There have even been times when it saved my life.

In 1978, I was twenty-eight years old, single, and after an unfulfilling career as a chartered accountant, I had no idea what I wanted to do with my life. The late-afternoon sun was shining through the window of my living room where I sat amidst the discarded wrapping of my new Pink Floyd album *Dark Side of the Moon*. Setting needle to groove, I had no idea that my world was about to change. The song “Time” began, describing the drifting way many of us live our lives and how our youth leads us to believe that we can put things off indefinitely, and I heard the lyrics, “No one told you when to run / You missed the starting gun.” The power of those words reached into my soul.

I sat bolt upright, and my body became covered in goose bumps (my higher self's way of letting me know I am on the right track). I thought of all my accounting friends who were working toward the coveted partnerships and others who were running successful businesses, and realized I had been running in place for ten years. I'd missed the starting gun. I had a strong voice inside me telling me that the life I was living was not in harmony with what I really wanted.

I had recently bought a book on Hatha yoga and was practicing the basic poses. What struck me about yoga was its ability to get me out of my

head—out of my body even—and into a different level of awareness. It had helped me inadvertently discover meditation.

During one of these sessions, my mind was relaxed, remote from the dissonance around me, and it kept drifting off into random thoughts about businesses and consumer products. It occurred to me how many of the cool products that fit the lifestyles of my Australian buddies—Levi's jeans, water beds, skateboards, surf clothing brands—had come from the United States. Suddenly, my whole body erupted with goose bumps again. As clear as a bell, I heard the call to go to America, find the next big hit lifestyle product, bring it back to Australia, and build my own business around it—and I listened.

Less than six weeks later, my friend Margot, who I had met just a few years earlier when she was vacationing in Western Australia, met me at the Greyhound station in L.A. My oversized plastic yellow suitcase strapped to the back of her MG Midget, we headed to her apartment in the hills above Hollywood—and I headed, full speed, into my new life.

JAG Jeans, the company that Margot worked for, had sent her to L.A. to help open an American office. JAG was the hottest clothing brand in Australia, and they hoped to duplicate that success in the United States. Margot introduced me to her friends, who would change the direction of my life. Doug Jensen, her former boyfriend, was a surfer who introduced me to the delights of surfing Malibu. He had already made friends with two Aussies, Brett Livingston-Strong and his brother Paul, who were living in a car at the time and were in L.A. to display about five tons of sculptures and artwork they had transported from Australia.

Margot set me up with a job in the warehouse at JAG, and on weekends, we all made the drive to Moorpark in Simi Valley to a big grassy hill where we took turns sliding down it on Brett's newfound contraption, grass skis. These consisted of U-shaped aluminum frames under which several wheels were attached in a curve so that, when their wearer leaned to put weight on their edges, the wheels followed an arc, simulating snow ski turns.

I was a sucker for Brett's enthusiasm for grass skiing's potential, and I was totally convinced this would be the next big thing, a world-changing

PREFACE

new sport. I had found what I was looking for! I knew I needed to go back home, sell a small rental property I owned, and use the cash to finance my new venture.

Since my destiny was in fact to be played out in America, and sheepskin boots would indeed prove to be my mainstay, I now know this was the universe's "carrot on the stick" to draw me from Australia. I am a firm believer that when you take those first baby steps, you don't have to know exactly where you are going to end up. If you do not take the first steps, then you will never come across the forks in the road that lead to new opportunities for growth.

I flew home, my house sold immediately, and I returned to L.A. Within a day of getting off the plane, I had found a place within a fenced-in area in Venice that had three tiny one-bedroom homes renting for two hundred bucks a month. Margot and Doug knew L.A.'s neighborhoods better than I did, and when I told them how finding something so cheap must be a sign of my karma at work, they tried to talk me out of signing the lease, to no avail. I was in no mood for naysaying . . . though I did notice that every house on the street had bars on the windows.

I bought a water bed and kitchen utensils, wall hangings, and a twelve-inch-tall candle I placed on the shelf that ran around the living room. I treated myself to a solitary house-warming party my first night. I bought a pizza and a bottle of wine, pulled out the rack of tapes from my suitcase, and turned the boom box up. I lit the candle (without bothering to put a dish under it), poured myself some wine, and lay back to contemplate my future as a tycoon in the grass-skiing industry.

I woke up around nine the next morning with a groggy awareness that my new home was not as it should be. When I sat up, everything went black and I found myself gagging, struggling for breath. I crouched back down; my mind went into full alert. I looked toward the living room and realized it was filled with black smoke that hovered about a foot above the main floor level.

Shiiiiiiit! The house is on fire!

I rolled out of bed and crawled on my stomach to the front door. Off to the right, a purple-orange radiance was pulsing behind the smoke. I knew I

only had minutes to get out. Taking a big breath, I reached up and tried to open the door . . . and found it was stuck. Seeing flames flickering above me, I fumbled at the latch repeatedly but had to keep dropping to the floor to take in air. My mind was racing. If the front door was out of the question, how else could I escape? Every window in the house had bars bolted to the outside. The only route to the back door led through the worst of the flames.

I had a vivid awareness of my body relaxing as I slumped to the floor, and said out loud, “F***. I’m going to die.”

Now, you might find what I’m about to tell you a bit difficult to accept—but I heard a voice. It wasn’t a voice that came through my eardrums. I knew it was not my usual internal monologue, but something very different: a clear, calm, unhurried voice that said: “You have not done enough with your life yet, Brian.”

Damnnn! You’re right!

I felt a surge of energy, jumped to my feet, and felt my way along the wall. Window by window, I started punching out the glass with my fist, screaming, “Help!” through the openings and then ducking down to the floor for more air before rising up to scream for help again.

I worked my way along the wall until I got back to the sunken bedroom with its life-saving air pocket, and punched out the last window, still screaming for help. The air pocket gradually became unbreathable, and I was forced to push my face out through the glass shards, my forehead pressed against the steel bars, and gasp for air as the smoke poured over my shoulders, into the clear, sunny day outside.

Then I heard voices yelling, “Hang on, we’re almost there!”

A construction worker who had been remodeling a house down the street set about using his crowbar to pry the bars off the window; every few seconds, he had to retreat to get fresh air. The bars came off one-by-one, and after an eternity, strong hands pulled my shoulders through the opening as I heard approaching sirens.

I came to on the steps of a neighboring house, coughing violently and retching up chunks of ash.



I have a few thoughts about the significance of that voice that saved my life. This was not the first time I had experienced a supernatural life-saving event. Twice before I had sensed a strange intervention that kept me safe.

Call it God or guardian angels or whatever you will, I am convinced there is some sort of intelligence that speaks to all of us on this planet but we do not yet fully understand how to tune in. While we're all looking for a God that is somewhere far off in the heavens, that Presence is here within us, guarding us and keeping us safe.

I also wonder if this spark of intelligence has a definite plan for our time on earth, if we would only listen to it on a daily basis instead of having it only come through in times of despair or desperation. Maybe the great men and women of history had this ability.

What I know is, that day I was out past the break, I came the closest to this Presence I've ever been, but there are moments in my life when I feel it near me again—when it reveals itself to me in one way or another. And I listen to that voice and let it guide me. I've learned that not only does that spark of intelligence help me when I'm in danger, but it also guides me in business. It sometimes seems that the world of business is filled with Gordon Geckos and conmen, but if you mentally paddle out the back, rest calmly on the water, and just watch the spray of the waves, you can tune in to the voice that will help you deal with these types and figure out how to creatively move forward and become wildly successful—while also living a fulfilling, authentic life.

Introduction

This is partially my story and partially the story of a product—a simple product, practical, comfortable, and in its own way, peculiarly elegant—with an unlikely brand name that millions of consumers have come to value and trust.

It now has worldwide recognition, but it began when I was a novice businessman, a disenchanted chartered accountant and terrified salesman, who put my trust in pure instinct, goose-bump shivers of recognition that I was in the presence of a sure thing, faith that the universe supplies whatever's needed, and the reassurance of a quiet, mysterious inner voice those many times when accounting figures said the venture was hopeless.

Is there such a thing as a born entrepreneur? Possibly. I've met a few who qualify. But I hesitate to claim to be one myself. I only know that I was open and ready when the universe put the object of my inspiration into my hands.

And that's the other part of this story: the story of how I was (and still am) and how you can be open to the universe in business—how you can be creative and successful while also being true to yourself.

What I know for certain is that each of us is born with a creative nature. But ours is an evolutionary planet and nothing, from a flea to an oak tree to an ocean-going liner, comes into existence fully formed.

One thing I've realized: You can't give birth to adults.

I am the proud parent of two beautiful daughters as well as the founder of a successful brand. For my fellow entrepreneurs just starting out, I can attest that the stages of the two ventures are amazingly similar.

INTRODUCTION

It doesn't matter whether the product is a new shoe, a new device, a new religion, or a new sitcom, every new paradigm follows the same growth curve:

- **Conception:** There is the blissful aha, then, little by little, the concept continues to take embryonic shape.
- **Birth:** The concept is introduced to the world and attracts the first true believers who love it with all their heart.
- **Infancy:** The concept just lies there, needing lots of feeding and constant attention.
- **Toddler years:** It begins to crawl, then stands up and reaches out, and you don't dare take your eyes off it for an instant.
- **Youth:** The passing of weeks and months falls into a routine that is more or less predictable and enjoyable. Healthy growth seems natural and surprisingly controllable, yet every time you turn around there are unexpected expenses and needs. You struggle to keep up.
- **Teens:** They seek popularity and want to be at all the parties, everywhere at once, setting the world on fire. Rules are broken, and despite your best efforts at establishing controls, they refuse to be contained.
- **Adulthood:** With luck and hard work, the child survives in the real world. Expectations become realistic and growth settles into a manageable long-term pattern. The product begins paying for itself! Basically, it can now stand on its own at last; however, sometimes, real opportunities are overlooked or discounted as mature judgment overrules unbridled enthusiasm.

Building a business—just like raising children—takes work and determination. That's not news. Over the course of the first seventeen years of building the UGG brand and observing other businesses, I noticed some common themes: great expectations on pitiful budgets, unshakeable optimism, and grinding endurance in the face of unforeseen setbacks. I have

no doubt these have been the defining characteristics of entrepreneurs since time began.

They're also the essential characteristics of every proud parent.

In This Book

What follows is my own story, and the story of UGG.* I break down each year, the cash flow, the major setbacks as well as the major successes, the ever-changing structure of the company, and the moments when the universe spoke to me in the form of aha moments, goose bumps, or even a strong intuition of dread.

Along with my story, there are sidebars throughout that explain the ins and outs of business—key terms, financial explanations, and general rundowns of retail. For anyone interested in learning more about business, unfamiliar with a term, or just curious about retail, hopefully you'll find these elements helpful.

Here and there, you'll also see what I call Wisdom Points throughout that further illuminate a philosophy that I learned at that time or that simply crystallized at that time, and that have helped me not only in business but also personally. These are also inspired by the many business books and authors I've read over the years, as well as wisdom from the mentors I've been lucky enough to have come to know along the way. One thing I've realized is that who you are in business is who you are in life, and when you act with integrity, stay true to your ethics, and just treat everyone with simple respect, you'll be successful, but more importantly, you'll be happy.

* Author's Note: This book spans the first seventeen years of building the UGG brand. Beginning with the first early adopters on the beaches of California, I slowly expanded into the ski areas and eventually established UGG as a casual comfort brand across America. After the sale of my company to Deckers Outdoor Corporation in 1995, I remained an interested observer, but played no part in the ongoing management of the company. Full credit for the success of UGG growing into a billion dollar global lifestyle brand goes to Connie Rishwain, President of UGG and the Deckers team led by Angel Martinez, President and CEO.



It would be nice to believe that you can throw a business plan, staff, cash, and projections into a pot, assemble enough lawyers and MBAs in a conference room to watch, and launch a successful brand fully formed. But nine women can't have a baby in a month, right?

It doesn't work that way. Building brand awareness is a slow, often disheartening process requiring imagination, constant monitoring and feedback, course corrections, persistence, and above all, patience. The success of any concept requires bringing whole markets and wide swaths of a society around to a new vision. Building a brand, like any natural process, is a gradual, organic, and wildly unpredictable experience.

And building your own philosophy as you work is something that will happen as you build your brand—whether you want it to or not. So, to the fledgling entrepreneurs reading this story: Welcome and best wishes! Buckle up. It's a going to be an interesting ride.

CHAPTER 1

CONCEPTION AND BIRTH

“She’ll be right, mate!”
1979—Sales \$1,000

Without exception, from the moment you have your “aha” moment as an entrepreneur, it becomes enshrined in your memory forever. It may take a long journey of preparation to arrive at that moment of conception, to be ready to recognize and receive it, but the gestation that follows is equally necessary. Many factors might have to come into alignment before those first actions of giving birth. Such things can’t be rushed, and in the meantime, life goes on.

Goose bumps had started rising on the backs of my hands and forearms, spreading up over my shoulders, and shivering down my back.

In my hands was the latest issue of *Surfer* magazine, open to an advertisement showing two sets of legs in front of a cozy fireplace, with the feet clad in sheepskin boots. Everything about the ad was absurdly out of place in a magazine published in Southern California and devoted to surfing, palm trees, girls in bikinis, beaches, bare legs, bare feet . . .

But the ad screamed at me, “You’re going to be a huge success!” I’d been in California less than six months, and here was my future staring back at me from the pages of *Surfer*.

My surfing and grass-skiing buddy Doug Jensen was in the room when my revelation hit. I showed him the picture.

“I don’t get it,” he said. “Boots? Who wears boots?”

“Exactly,” I said. And nobody did! Not in America—but in Australia, where sheep outnumber people, it seemed like half the population owned some sort of sheepskin footwear, and certainly no surfer would be caught dead without at least one pair of sheepskin boots.

But there were no sheepskin boots in America.

If half of all Americans—or even half of one percent of all Americans—bought sheepskin boots, and I was the only one selling them . . . *My God. I’d be rich!*

The voice inside me had been right all along. The problem was that I had gotten its message backward! My destiny wasn’t to come to America, find the next big thing, and bring it back to Australia. The next big thing was already in Australia. My destiny was to bring it to America, where I would be wildly and immediately successful.

A vision of big success is typical of the blind optimism shared by most people during the “aha” moment when they conceive their new dream. I believe that for a true entrepreneur, some degree of ignorance is a key ingredient for success. If you knew at the time all the obstacles you’re up against, you’d never even start.

In my case, I was totally ignorant of the fact that Americans had little knowledge of the amazing attributes of sheepskin being rugged, breathable, washable, and above all, comfortable. To them it was hot, sweaty, prickly, delicate, and good for jackets and mittens—not footwear.

For Australians, sheep are such a central fact of life that it’s near impossible to get through the day without some kind of dependence on them. If

I had realized this culture clash at the outset, I probably would have tossed the magazine aside and gone back to dreaming of skiing the grassy hillsides of Australia.

Instead, my first step was to contact the company that had placed the ad in *Surfer*, Country Leather in Western Australia, to get some sort of exclusive agreement to sell their products in the United States.

I called immediately and spoke with Country Leather's owner, George Burcher.

"I've had a lot of calls from the United States from people wanting to distribute our boots," he told me.

"Well, let me tell you why you should pick me," I began, realizing I would have to make him as convinced as I was that I was the right guy. I told him that, like him, I was a West Aussie, from Perth, and that I was an accountant looking to start my own business. I told him I'd raced in the National Windrush Surf Cat sailing championships in his hometown, Albany, and I recounted every other piece of Aussie trivia I could think of to try and create a bond between us.

He said he'd get back to me after he did some checking.

I found out much later that he called the Department of Trade in Perth, where he was connected with a guy named Jim Nylander, who just happened to be a good friend of mine from the Soaks rugby club. Jim gave me a big thumbs-up for trustworthiness and assured George I was smart enough to handle the importing of boots.

The universe had kicked in, and though I didn't need to listen this time, I'm grateful George did.

Armed with a go-ahead from Country Leather, Doug and I agreed to partner up and test the market in Southern California. Since Doug had no fear of selling, we decided that he would be the salesman and I would handle the back-office business.

The first obstacle we faced was that we were both broke. In order to get started, we needed samples to show prospective customers. We pooled our fortunes and came up with five hundred dollars. I sent Country Leather an

order for six pairs, three for Doug and three for me, in various sizes, to be shipped by airmail.

Ours was very typical of the beginning of most distribution arrangements. Most often through travel, one might find an item from one area that is missing back home and samples are bought to take back and test the market to see if consumers will buy. Christopher Columbus brought tobacco back from his travels. Phil Knight tested samples of running shoes from Asia on his way to branding Nike. Usually, if the tests prove positive, then a more formal distribution agreement is formed between the buyer and seller, and they both endeavor to build the volume of sales, helping each other out.

We called the styles Short, Medium, and Tall, and Natural was the only color. Doug set out on the road to begin visiting shoe stores in Southern California.

On the brand-building end, I immediately decided that “country” and “leather” had to go, along with the image of ski-lodge fireplaces. Warm, cozy settings implied slippers, but I envisioned these boots being worn in outdoor environments.

I knew from my time in Sydney that local surfer and businessman Shane Stedman had registered the name UGH for sheepskin boots in Australia, yet I could find no evidence that any of the boots had been marketed or sold in the United States under that name. I began the process for registering a trademark, UGG, for our business venture.

A week or so later, Doug came back from his road trips feeling pretty down. No one in the shoe trade really got what the boots were about. They wondered why on earth we were trying to sell sheepskin in Southern California. Didn't we know it never got cold here? So far, we had no orders.

A footwear trade show was coming up in New York, so, armed with our three pairs of Short, Medium, and Tall boots and nothing else, I set out to conquer the national footwear industry.

New York is not the city to be in when you have no money. I checked into a cheap hotel near the convention center. Walking the streets I was scared, with images of muggings, murders, and rapes in the park in my head, so I was on full alert. On the way to the convention center, I kept a death grip on my small bag of samples, in case a snatcher tried to separate me from my life's new purpose.

All I could afford was half a display space, and since I had registered as an exhibitor at the last minute, I found my "half-table" located in the back of the hall, near the end of the aisle next to the toilets. I had no money to rent backdrop drapes or a carpet to cover the bare concrete floor. I had no logo, no photos, and no brochures, only a crude, photocopied price list for the multitudes of buyers I expected to be ecstatic that somebody had finally brought sheepskin boots to America.

If those goose bumps while reading *Surfer* signaled the moment of conception of the sheepskin-boot venture and the act of purchasing samples from Australia its birth, then Doug's road trips and the New York trade show were the beginning of a very long and trying infancy. For three days, only those buyers who happened to be lost or on their way to the bathroom walked by my table. I followed their eyes as they looked at the four-dollar espadrilles from Spain on my left, skipped over my display as if it were an empty space, and then refocused on the cheap pumps from Taiwan on my right. I might as well have been displaying fresh fish or auto parts. The table received zero glances, zero questions, not even a flicker of perplexity or curiosity. Nothing.

Each evening I walked back to my hotel room dejected, but each morning I was filled with fresh enthusiasm that indeed that day would be the day.

Three days was a long time to endure indifference to our three pairs of boots. As I packed up to go home, I found myself searching my soul for direction: Should I give up? Was this too hard? Why the hell didn't Americans get sheepskin?

By the time I got on the plane back to Santa Monica, I had mapped out the next steps we needed to take. My dormant marketing neurons were beginning to fire.

At the show, two things had become clear. First, no one had a clue about the benefits of sheepskin boots. Second, no one even recognized sheepskin boots as a category within the US footwear industry.

“But in Australia, every other person seems to own some sort of sheepskin footwear,” I kept saying to myself. I owned a pair, and I knew how good they were. These same reassuring thoughts would save me many times over the next five years, whenever things looked too damn hard and I contemplated ditching the whole idea.

As I mulled things over, it occurred to me that my California friends to whom I’d shown the samples from Australia were mostly surfers, and they invariably told me about their friends who had made the surfing pilgrimage Down Under and brought back five or six pairs of boots, for themselves and for their buddies back home. They recounted what I already knew: When you get back to the beach after an hour or two in cold water, the best feeling in the world is a pair of sheepskin boots, wet feet and all. The wicking nature of the fleece evaporates the moisture, and the insulating properties immediately bring warmth back to your feet. These were two vitally important pieces of product knowledge lost on the New York buyers—and on Americans in general.

I discussed this with Doug, and we decided to refocus our efforts on surf shops. He would handle the San Fernando Valley, and I would cover the beach stores.

• • •

I procrastinated. I was terrified! I was an accountant whose closest contact with the subculture of salesmen had been during my stint as an auditor at a used car lot in Perth, and to me they had seemed like an alien species. The

courage required to cold-call strangers and try to sell them something was a huge emotional stretch for me.

Days stretched into a week. Driven by the guilt that Doug was already on the road, I realized I could procrastinate no longer. I opened the yellow pages and made a list of all the surf shops in Malibu, Santa Monica, Manhattan Beach, Hermosa Beach, and Long Beach, all the way down to San Diego, and one sunny morning in September, I drove my white Dodge van to Con Surfboards, the first store on my list. Timidly pulling my boots out of my dilapidated Adidas bag, I asked to see the owner.

When he saw the shoes, he said, "Wow, sheepskin boots! I have a pair my friend brought back from Oz on his last trip. Those are great!" We talked surfing for a while, and his final words as I left the shop were, "If you're going to import those boots, you're gonna make a killing."

Wow, this is the validation I was hoping for, I thought as I climbed into my van and looked up the route to the next stop. At each shop, I had a similar reception: "My friends have some of these, and they love them." E.T. Surf in Manhattan Beach, Dewey Weber Surfboards, Becker's Surf and Sport in Hermosa Beach, Newport Surf & Sport, Jack's Surfboards in Huntington Beach, Laguna Surf and Sport—every owner said the same thing.

Meanwhile, Doug was getting a similar reaction in the Valley at Val Surf and the Glen Kennedy Surf Shop. The next day, I set out for San Diego. By now I felt bulletproof—that is, until I got to South Coast Surf Shop in Ocean Beach. When I pulled out my samples, the owner, Rob Ard, just burst out laughing.

"Hey, Jim," he called out to his surfboard shaper in the back of the shop. "Come out here! Some Aussie is trying to sell sheepskin boots to a surf shop!" Jim worked his way through the racks of clothing, took one look at the boots, and cracked up. I was mortified. All of my fears about selling flooded back. I wanted to be invisible.

"Just kidding," Rob said once he noticed the look of terror in my eyes. "Those boots are great. A ton of guys we know have some. It's about time

someone started selling them in the States. That's a killer product. You'll do well with them."

As horrific as that felt, Rob did me a big favor. I realized that my fear in this case had been unfounded, and after this, I was able to differentiate between the product being rejected, versus me being rejected. It took some time, but eventually I would walk into any store committed to connecting with the buyer on human terms first, before showing the product I was selling.

Driving home that afternoon up Interstate 5, it never occurred to me that I had not asked for a single order. A minor detail. I didn't know you had to! What was the point? We had no inventory to ship, and anyway, I was so carried away with how successful we were going to be that booking actual orders was just a minor detail. Soon I would learn that one of the most enduring truths taught in all sales training courses:

Nothing happens until there's a sale.

• • •

The next weekend, Doug and I were comparing our experiences from our surf shop campaign, asking each other how we were going to get the product we needed, and we came to the only conclusion we could come to: we had to raise some money.

My roommate, Dorsey Roach, overheard one of our discussions and offered to introduce us to some investors. Dorsey had been hired by Exxon six months earlier. His job was to buy oil rights in the Los Angeles area. He had befriended a family who had inherited a substantial number of leases they were now selling to Exxon, and they were looking for alternative investments. Dorsey arranged a meeting where I met Mack and Angie Rhodes and their sons, Steve and Jeff. Mack was a motorcycle cop for the LAPD. Steve and Jeff were in their early twenties and eager to find business opportunities. Since this was my first time raising capital, I was fully optimistic. I described the level of interest we had just encountered in the surf shops and explained how popular sheepskin boots were in Australia. It was no doubt evident we

didn't have a very sophisticated business plan. Nonetheless, our enthusiasm generated an offer from the Rhodeses to back us with a \$20,000 investment.

A week later, we met with them at their attorney's offices in Newport Beach. I had previously been doing business as a sole proprietorship, so we decided to create a formal legal partnership. We set up the new company as UGG Imports and went 50/50 with the Rhodes family.

While we were waiting in the lobby of the law firm, discussing our great future, I noticed a magazine on the receptionist's desk: *Action Sports Retailer*, volume one number one.

I borrowed the magazine and scanned it, and realized it was the first issue of a trade magazine targeted specifically to the owners of surf shops and sporting goods stores in the heretofore unnamed "action-sports industry." There it was—our platform for making our new product known to the surf market. I was experiencing a phenomenon I'd later find described in self-realization books:

Once you set a new course and take action, the universe will conspire to work with you.

I'm sure everyone has seen this concept discussed in one way or another, whether it's called manifestation or prayer, or just starting on your path while being open to the signs that the universe will send you. It's been an important part of how I do business, and it's always worked: when I've begun a venture that I truly felt was my destined path, things fell into place and people came into my life to help it happen.

Stated another way, you never notice advertisements for refrigerators unless you decide to buy a refrigerator. Then you see ads everywhere. The signs are always there, but only when you start on your path do you take notice.

I asked the receptionist where she got it, and she told me friends of hers were the founders and they were looking for advertisers.

We signed the legal documents that formalized our partnership, and Mack Rhodes handed me a check for \$20,000. We were made! We would never need more seed money again! We were on our track to instant success.

Had I been aware that I needed to think through a five-year business plan, taking account of salaries, traveling and warehouse expenses, marketing, advertising and trade shows, staffing and shipping costs, cash flow forecasts to warn of the horrific problems of a seasonal business not to mention thin profit margins, and so on, I would have realized that I needed a half-million dollars or more to have a fighting chance of survival. But the flip side is that if I knew that, I might have simply walked away thinking it was too hard, and the UGG brand might not exist in the market as it does today.

Nowadays, I highly recommend entrepreneurs know what the road ahead of them looks like. There are several excellent business plan software programs available that will walk you effortlessly through the thinking process for starting out on your new venture.

We called George Burcher at Country Leather in Australia and told him of our money-raising success, and that we wanted to buy inventory. Immediately we encountered an ugly reality.

Since you never know what size feet are coming into a retail store, you have to be ready with sizes five through twelve, which amounts to eight pairs. But sizes seven, eight, and nine are the most common, so you need to stock more of those than the others. *But* since men have bigger feet than women, you also need a good ratio of nines, tens, elevens, and so on. We began to see that every store had to have a minimum of fifteen pairs of a style to ensure *one* customer could be satisfied.

We quickly realized that because we wanted to “open up” many retail stores with boots, we were going to have to carry a huge inventory in order to supply them with their original orders and fill-ins for when they ran out of sizes (“open up” means opening up shelf and display space within each store.)

We ordered about five hundred pairs of assorted sizes, in the three styles and two colors; then I went to the bank and wired \$15,000 to George.

A quintessential hippie, George grew up in the far south region of Western Australia, as did his wife, Helen. Starting out selling small, hand-worked leather goods and trinkets at swap meets and farmers’ markets, they eventually became store owners on the main street of Albany, catering to the summer tourists. They also opened a small sheepskin products factory with a single sewing machine to do the leatherwork. Bit by bit, they developed the sheepskin boot business, to the point where Country Leather was among the biggest employers in the area. George was a fit and passionate rider of waveskis, a cross between a surfboard and a kayak. His infectious smile and bald head made him stand out among the town’s colorful characters.

Right from the beginning, my intuition was clear that George and I were destined to clash. I was aware of the immense size of the American market and knew it would take many manufacturers to supply it, so I was going to build the business with that eventuality in mind. George, on the other hand, believed *he* was building the American market, with me as his salesman.

Everyone views their surroundings from their position at the center of their own universe. Lots of universes can coexist as long as they are in alignment with an overall design (a common purpose), but when two are on a collision course, the resulting convergence will cause a complete realignment of one if not both universes. Clashing universes are the norm, whether it is between a mother and child, husband and wife, boss and coworkers, or the leaders of nations.

George promised he would airfreight our boots within the month, so we began learning about customs brokers, sales price lists, and size charts. I went to the stationery store to buy order pads and blank invoice forms for all those sales we were going to make.

Doug Jensen and I drove to South Laguna to meet with the owners of *Action Sports Retailer* magazine. Jeff Wetmore and his wife, Suzie, were the editorial and production team, and Steve Lewis was the ad salesman. They had a small office just off Pacific Coast Highway, looking toward hills dotted with beach houses and trees.

I could see from their expressions that cozy sheepskin boots were not the kind of thing they were expecting to advertise in an action-sports magazine. On the other hand, they were beginning to close the materials for their second issue, and as a good salesman, Steve knew that any sale was better than nothing. He zeroed in on the sale smoothly, making it clear a full-page ad normally went for \$1,100 but—simply because he liked us and our product—if we would commit for two months, we could get in for only \$1,000 each.

“No way,” I told him. “We haven’t even shipped product yet, and we’re way too small to be running full-page ads.”

Without missing a beat, Steve came back with a marketing tip that would serve me well for years to come:

“It’s not how big you are that matters,” he said, “but how big you’re perceived to be.”

Perception is extremely important in life, because the majority of people accept what they see as reality. Whether it is clothes and grooming in face-to-face meetings, the style of car you want to be seen in, or the image your product or service portrays, people judge you on your first impression. In the case of UGG, ever since Steve gave me that advice, I went out of my way to make sure the image we presented in advertisements, trade show booth decorations, brochures, and packaging was as good as we could make it.

Nowadays, however, with the internet commanding such a widespread influence, the website has become the face of the company, product, or service, but the principles of advertising and promotion have not changed. Perversely, the internet has completely leveled the playing field since a new vendor operating out of a garage can look every bit as expensive and professional as an established business. I advise all new entrepreneurs to put every effort into making their website look like a million dollars, as the perception of viewers from all over the world is what counts. They will not likely come to your garage to verify your size.

Looking at Doug, I had no doubt what he wanted. We signed a two-month contract.

Now all we had to do was invent a marketing concept that would define our brand for years to come, put together an impressive and professional-looking full-page magazine ad, and have it camera ready within days, all on a marketing budget of essentially zero. Doug's former wife was an artist, so we recruited her to create the artwork and copy for the ad.

Doug brought it by when it was finished. My heart sank. I expected a photo of the boots and some cool graphics and descriptions of the product. Instead, here was a long-haired hippie dude with his robe flowing in the wind, holding a globe of the world. The art was due the next day though, so we went with it.

For the next issue's ad, we retained the hippie dude, only this time he was gazing at a crystal ball displaying a vision of sheepskin boots.

Three weeks later, seventeen cartons cleared customs and were being held at a bonded warehouse near Los Angeles airport. We juggled the cartons into our truck, and back at my house in Santa Monica, we cleared out the third bedroom, now officially "the warehouse," and stacked it full of boxes.

When we opened the first box, an alarm went off in my head. We opened the second box and the alarm grew louder. After six boxes, I knew we were in trouble.

The boots had thin, micro-cell rubber soles that were glued to the bottom of the sheepskin uppers. Whoever had done the gluing apparently hadn't been taught to keep the glue off the soft leather. It probably hadn't been very noticeable when the glue was still wet, but as it dried, it turned brown. Ugly brown smears were plainly visible on almost half of the boots in the shipment.

But that wasn't the worst problem.

In some pairs, the left boot was constructed of soft leather but the right boot was made of a different, stiffer skin. When you set them side by side, one boot stood up by itself the way it was supposed to, while the other collapsed, looking despondent.

Half the shipment seemed to have been constructed from skins with short, curly fleece a quarter of an inch long. The other half had long, straight fleece about three quarters of an inch long. Some pairs had one boot with the curly fleece while the other had straight.

There's a saying in Australia that's not quite as famous as "shrimp on the barbie." Whenever all hell breaks loose, a proper Aussie gives a wink and says, "She'll be right, mate!"

So there we were, late in the afternoon in our new warehouse, pondering how we were going to mate-up pairs of odd and dispirited-looking boots that even the least discerning American consumers would buy.

I called George. "Oh, she'll be right, mate," he told me. "Just sell 'em like they are. That's what we do down here."

Naturally. My mind flashed back to the first sheepskin boots I'd bought years earlier at the Hay Street flea market, mixing and matching my own pair from odd-lot boxes, and I realized how right George was. Australian consumers were accustomed to putting up with a degree of challenge, finishing the work the manufacturer had begun themselves. We thrive on it; it suits our self-reliant, adventurous spirit. That was just the way sheepskin boots were back then, rough hewn and individualized. It would be twenty

years before the requirements of a global market filtered back to Australia and a handful of manufacturers evolved products—through a feedback loop of incremental improvements—with enough consistent quality to satisfy the standards of American consumers.

With the van full of boots, I once again set out for the beach to visit Con Surfboards.

I opened my order book, and said, “Okay, how many do you want?”

“Oh, Brian, I know these are great, and you’re going to make a killing, but we couldn’t sell them out of this shop. Our customers just want surf shorts and boards. We hardly even sell sandals. But good luck! You’re gonna do great!”

And so began the longest three days of my life, driving from one surf shop to the next, pulling out samples and the order book, being told the same thing over and over: “We can’t sell them out of our shop . . . They’re too expensive for our customers . . . We love them but . . . You ought to try the shoe stores.”

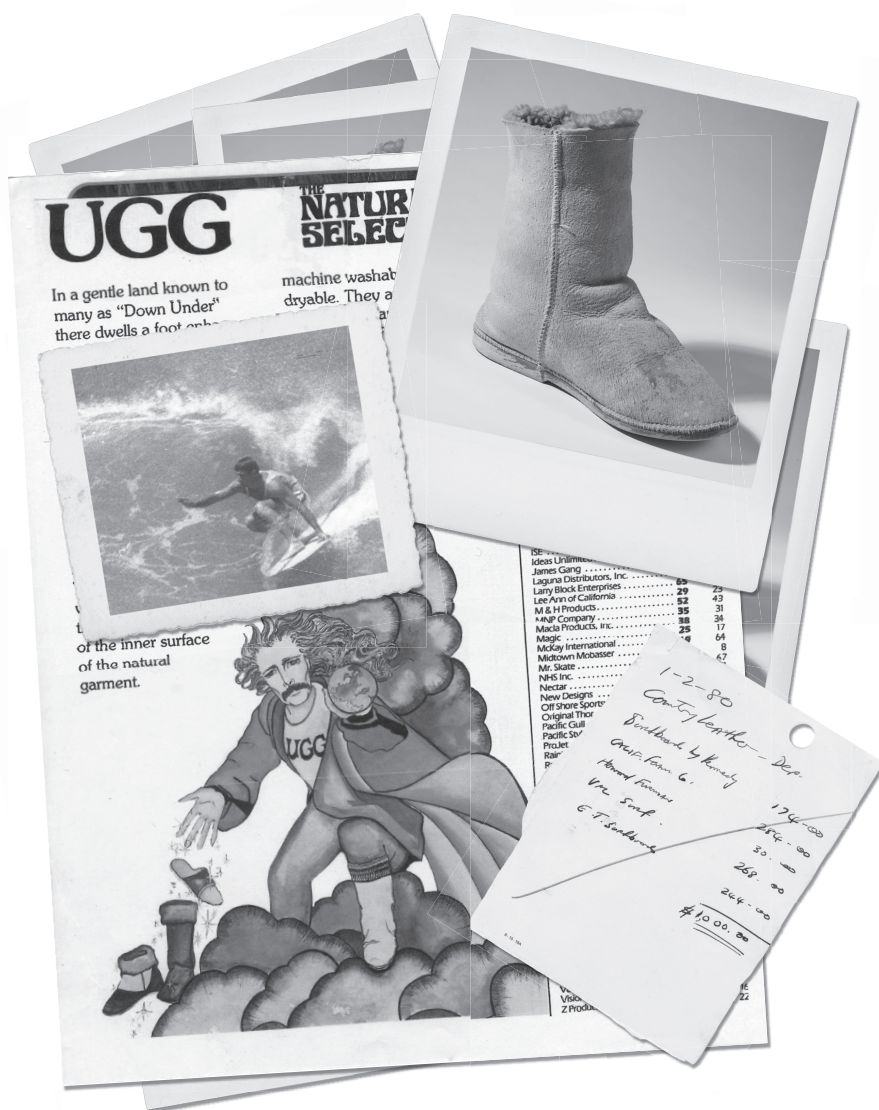
On day three, Doug and I convened in the “warehouse” to write up our orders.

Surfboards by Kennedy, 5 pairs:	\$174
California Foam Co., 8 pairs:	\$284
Howard Furman (a friend), 1 pair:	\$30
Val Surf, 7 pairs:	\$268
E.T. Surfboards, 7 pairs:	\$244
TOTAL: 28 pairs:	\$1,000 even!

We stood back and stared up at the stacks of shipping boxes rising to the ceiling.

I thought, *Ohhhh shit!*

THE BIRTH OF A BRAND



Clockwise from top left: Brian surfing Broulee Beach, Australia.

Top right: Original UGG boot sample Brian brought to the United States.

Bottom right: Deposit slip of the first year's sales.

Bottom left: First UGG advertisement in Action Sports Retailer.

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