

# Concluding Case

## SOARING EAGLE SKATE COMPANY

As a child, Stan Eagle just knew he loved riding his skateboard and doing tricks. By the time he was a teenager, he was so proficient at the sport that he began entering professional contests and taking home prize money. By his twenties, Eagle was so successful and popular that he could make skateboarding his career. A skateboard maker sponsored him in competitions and demonstrations around the world.

The sponsorship and prize money paid enough to support him for several years. But then interest in the sport waned, and Eagle knew he would have to take his business in new directions. He believed skateboarding would return to popularity, so he decided to launch into designing, building, and selling skateboards under his own brand. To finance Soaring Eagle Skate Company, he pooled his own personal savings with money from a friend, Pete Williams, and came up with \$75,000. Sure enough, new young skaters began snapping up the skateboards, attracted in part by the products' association with a star.

As the company prospered, Eagle considered ideas for expansion. Another friend had designed a line of clothing he thought would appeal to Eagle's skateboarding fans, and Eagle's name on the product would lend it credibility. At the friend's urging, Eagle branched out into clothing for skateboarders. However, he discovered that the business of shorts and shirts is far different from the business of sports equipment. The price markups were tiny, and the sales channels were entirely different. Three years into the expansion, Soaring Eagle had invested millions of dollars in the line but was still losing money. Eagle decided to sell off that part of the business to a clothing company and cut his losses.

Soon after that experiment, cofounder Williams proposed another idea: They should begin selling other types of sports equipment—inline roller skates and ice skates. Selling equipment for more kinds of sports would produce more growth than the company could obtain by focusing on just one sport. Eagle was doubtful. He was considered one of the most knowledgeable people in the world about skateboarding. He knew nothing about inline skating and ice skating. Eagle argued that the company would be better off focusing on the sport in which it offered the most expertise. Surely there were ways to seek growth within that sport—or at least to avoid the losses that came from investing in industries in which the company lacked experience.

Williams continued to press Eagle to try his idea. He pointed out that unless the company took some risks and expanded into new areas, there was little hope that Williams and Eagle could continue to earn much of a return on the money they had invested. Eagle was troubled. The attempt at clothing delivered, he thought, a message that they needed to be careful about expansion. But he seemed unable to persuade page 99 Williams to accept his point of view. He could go along with Williams and take the chance of losing money again, or he could use money he had earned from his business to buy Williams's ownership share in the company and then continue running Soaring Eagle on his own.