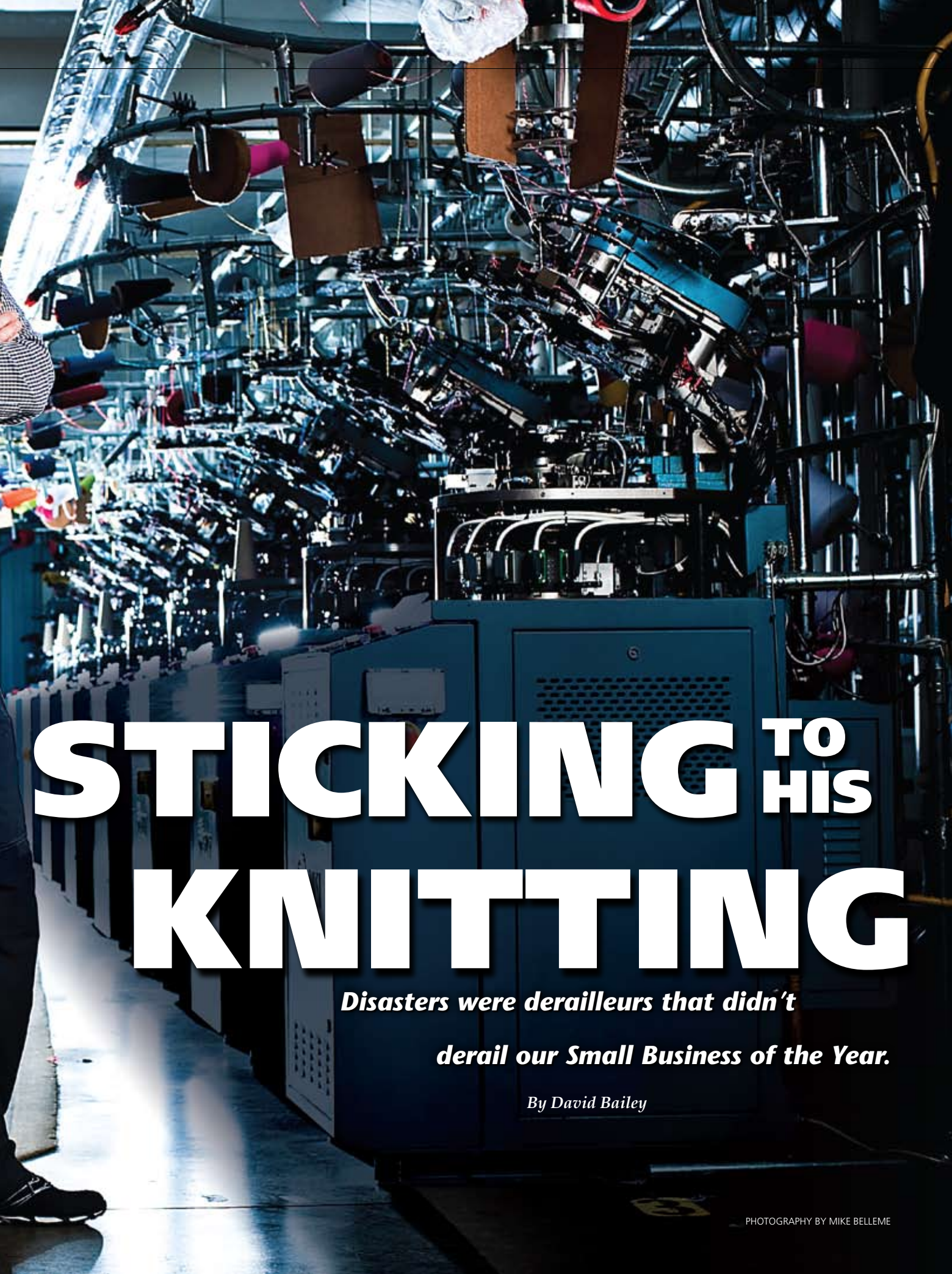


C O V E R S T O R Y



Defying the odds by making bicycling socks in America, Shane Cooper has managed to keep his footing through fire, flood and theft.



STICKING TO HIS KNITTING

Disasters were derailleurs that didn't

derail our Small Business of the Year.

By David Bailey

In the early '90s, after six years of playing bass guitar for a rock band, Shane Cooper became obsessed with bicycle racing. He didn't excel as a rider, so he took to coaching, and his team from Hickory went on to win several regional and state championships. He also became obsessed with socks — bike socks. He thought standard models — white, ankle-high throw-aways — left a lot of room for improvement. Besides being boring, they were backward. They had Coolmax, a moisture-wicking fiber, on the outside and reinforcing nylon on the inside. He wanted to turn the process inside out, putting the Coolmax next to the foot so it would suck sweat toward a knit lattice on the outside, where it would evaporate.

Cooper, then 29, happened to know more about socks than the average bass-playing biker. His British-born father was a sock-machine mechanic turned sock-machine distributor. The elder Cooper agreed to let his son re-jigger one of his machines on one condition: If he used it for 90 days, he had to buy it. All he needed was to find some Coolmax yarn, which was a problem. It was only available to authorized sock manufacturers.

That was just the first of many speed bumps and detours that Shane Cooper has had to overcome to turn DeFeet International Inc. into a leading manufacturer of cycling socks and accessories — all made in Hildebran, near Hickory. “We survived a fire, a flood and a \$250,000 theft,” says Cooper, now 48. Despite those setbacks, DeFeet has been back in the black since 2008. What's more, he can boast that this year's Tour de France winner, Cadel Evans, crossed the finish line with DeFeet socks on what had to be one tired pair of dogs.

“This was truly a story of determination,” says Doug Salkewicz, president of Advanced Technical Welding Inc. in Etowah, last year's *BUSINESS NORTH CAROLINA* Small Business of the Year. It's one reason Cooper's company is this year's winner. Another “is that DeFeet is a great example of a company keeping its work in North Carolina,” says Salkewicz, who with N.C. Secretary of Commerce J. Keith Crisco and *BNC* Publisher Ben Kinney judged this year's competition, sponsored by Winston-Salem-based BB&T Corp.



DeFeet follows on the heels of a long tradition of hosiery manufacturing in a state that once bragged about knitting more socks and legwear than anywhere else on the planet. U.S. employment peaked in 1969, with about 300 companies and 107,000 workers, then began dropping, first due to consolidation, then automation and, finally, foreign competition. Now, some 110 domestic manufacturers employ 13,100, according to Dan St. Louis, director of the Manufacturing Solutions Center at Catawba Valley Community College in Hickory. He estimates that 76% are in North Carolina. “When you look at the folks who have survived, there's a reason why they're here. It's a combination of market niche and a willingness to set up the plant to run quick-turn, short orders. This isn't about making a plain white sock.”

Cooper couldn't agree more. Though he has tried making socks in Mexico and had to fend off Asian counterfeiters, sticking to his knitting at home has made him nimbler with a firm grip on quality control. “We're proud to make our product in America,” he says, “and we plan to keep making it here. It gives us so many advantages.”



When he started DeFeet, Cooper wasn't sure he was going to be able to knit that first pair, much less outfit top pro cyclists. "It won't work," the first salesman he tried to buy Coolmax from told him, referring both to inside-out knitting and making socks in America. "I remember to this day being in that room with that one machine, and I remember him backing me into the wall and laughing at me. It made me feel about this big," he says, measuring a millimeter between his thumb and forefinger.

He had been belittled before, so he just shrugged it off, as he had learned to do in grade school as a dyslexic kid with a British accent. "Failure to me was standing up and reading in class — and not being able to read — and the teacher skipping you because you were stuttering and slow." Overcoming dyslexia had given him determination, and being a rocker had given him an up-yours attitude. "I wanted to put it in that guy's

DeFeet literally turned cycling socks inside out in how they're made and made a statement with their stitching.

face who said we wouldn't have a company. I just wanted to dance in front of him naked with DeFeet socks on."

Cooper's father, Alan, had brought his family to the United States when his son was 4, moving from one industrial city to the next — Reading, Pa., Laconia, N.H., Warwick, R.I. — before settling in Hickory to work for Ellis Hosiery Mills. Bored with high school, his son focused his adolescent energy on the bass guitar and a '72 blue Triumph TR7 sports car. Given Shane's lackluster performance in school, Alan Cooper told his son if he wanted to go to college, he would have to pay his own way. "I told him I was going to be a rock star and became a musician and traveled the college scene from Florida to Virginia for six years." Self taught, Shane describes himself as "the worst musician in the band," which was named Graffiti. By contrast, former band mate Robert Kearns now plays bass for Lynyrd Skynyrd.



If being in a band didn't bring Cooper stardom, it offered another benefit. It introduced him to competitive cycling. This was the '80s, and cycling was in vogue among American collegians, thanks to Greg LeMond and the 7-Eleven team. In 1986, LeMond became the first American to win the Tour de France. He won again in '89 and '90. The 7-Eleven team, for its part, competed successfully on the European professional cycling circuit during the second half of the decade. The exploits of LeMond and 7-Eleven inspired a generation of kids to take up bicycle racing.

By his mid-20s, Cooper had tired of touring with the band and had begun hanging out and biking with students he met at the schools where Graffiti played. When the band broke up in 1987, he started attending Catawba Valley Community College while managing a bike shop. "Cycling started to consume me," he says. Soon he was coaching a team sponsored by the shop. "I found I was a much better coach than rider." He was still, however, a poor student. That was before he met his wife. A triathlete with a master's in exercise physiology, Hope Dixon was as prudent as Cooper was profligate. She talked him into

DEFEET INTERNATIONAL INC.**Headquarters:** Hildebran**CEO:** Shane Cooper**Employees:** 35**Founded:** 1993**Projected 2011 revenue:** \$4.5 million**Business:** Maker of bicycling socks

stitch by stitch. These he took on the cycling circuit with his team, at first giving them away, then selling them out of the trunk of his Ford Taurus. Soon an Italian cycling-shoe company, Sidi, and a French pedal maker, Look, bought DeFeet socks emblazoned with their names and logos. Al Burdis, president of Manna, Calif.-based Sidi America Inc., says, "DeFeet never compromises on materials or design, thereby making the most durable and best-fitting products."

Cooper tried to meet as many cyclists as he could, some of them budding professionals. From the beginning, says Scott Duncan, DeFeet's head of product development, he used "grass-roots marketing, showing up at events, doing local clubs and visiting independent bicycle dealers" — all the things the bigger companies either couldn't or wouldn't do. "We understand our market because we live the same way our target customers do," Cooper says. "We ride, run, ski and enjoy solo sports."

What's more, being in a band had given him "an understanding of cool branding," such as naming your company with a pun on the word "defeat" when what athletes want to do most of all is win. "It's in your face," Cooper says. Does everybody get it? "I don't know, but they all remember the name."

Like the name, DeFeet's socks stood out. Cooper went with wild colors, and over the years his products have featured skulls, pansies, Christmas lights and racing flames. One recent pair even showed swimming sperm. "We gave the teams the ability to NASCAR their sock and put their logos on them," he says. The flamboyant designs distinguished DeFeet, and customization let Cooper charge more, giving him a higher profit margin than a typical sock maker. He

selling his 1964 Fender Precision bass to pay off his credit-card debt. He made straight A's his final semester. "When she and I met, these two different worlds collided, her black and white and my blobs of color." They shared his passion for cycling, spending their honeymoon in Virginia in 1992 watching his idol, LeMond, win the Tour DuPont.

By then, he was selling machines for his dad and had become fascinated by a particular one that could knit patterns and lettering on socks. And after persuading another salesman to sell him some Coolmax, he watched as the first few dozen pairs of DeFeet materialized



soon began making them for LeMond. In 1994, “our socks were on the yellow jersey in the Tour de France” — meaning they were worn by cyclists who held the overall lead in the three-week race. “That was our second year in business.”

Cooper’s desire to be at the forefront of both innovation and style distinguished DeFeet. But sometimes, especially in the early years, his efforts “brought us to the bleeding edge more so than the cutting edge in our innovations,” says Paul Willerton, the company’s brand manager. “We literally patented a short that is stitched like a baseball around the crotch pad. The problem is it looks like you’ve got an armadillo strapped between your legs.”

Even with the occasional misstep, sales soared. “Every year it was 50% growth,” Cooper says, “so I went from one machine the first year to three the second, then to eight, then to 16.” That never would have happened if he had outsourced manufacturing to China, he insists. “We can stop a machine today to make a product change tomorrow.”

Then came 2001, when DeFeet was almost defeated. The year started well. Cooper’s second child was born, work began on an

Cooper, showing off his collection of autographed jerseys, shares his customers’ passion for the sport.

addition that would double its space, and DeFeet stepped into new markets. It came out with golf and auto-racing socks, gloves, arm and knee warmers, and all kinds of outerwear and underwear. “And that’s when things started getting out of control. Everywhere we turned we had success, and every product we developed turned into a great product. And I’m getting cockier and cockier.” He ordered 12 machines from Italy to crank up production. With the addition still under construction, he stored them in the old wing.

On the morning of Oct. 21, a ringing phone woke him at 6 a.m. “I answer, and it’s a lady’s voice. ‘We are reporting a fire alarm at your business.’” Speeding to the factory, Cooper saw smoke smeared across the sky. The ballast on a fluorescent light had exploded and set the ceiling on fire. “It festered above the ceiling, burnt everything around it, and all of a sudden, everything in sight — socks, boxes, yarn — everything turned into an incredible inferno.” Eleven fire departments from three counties responded. “It was so hot, they were

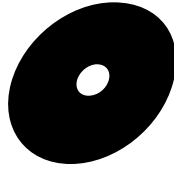
afraid to open the doors and give it any more oxygen because they thought it was going to explode. We lost everything, every single thing we had." He thought, "We're done."

But over the coming months, he reconsidered. He wasn't going to let the company fail; if he'd learned anything from LeMond, who recovered from being shot in a hunting accident to win the Tour de France, it was grit. He hit the road in a rented PT Cruiser, visiting one independent bike shop after another. Riding with him was Willerton. "We went out on the road for 30 days at a time," Cooper says. "I drove the entire USA and went out and shook hands and told everybody about the fire." They visited Seattle, San Diego, Salt Lake City and Chicago. They covered Texas and Florida. They motored up the Eastern Seaboard to New England. They averaged five bike shops a day, more than 200 in all. Using a couple of salvaged machines, Cooper had knitted some phoenix socks, their red-bird pattern referencing the mythical being that rises from its ashes. "I'd say, 'Thank you for the support, here's a gift pack, and we'll be back in business soon.'"

His saving grace was that the new addition, still under construction, wasn't connected to the old building. DeFeet had insurance, too, though the new machines weren't covered. A dispute ensued with the insurer, which wanted to pay only the prior year's business income plus 3%. DeFeet demanded a 50% increase. Three years and much lawyering later, the insurer agreed to 33%. "I was happy with that, but guess what — that money comes in, it's business income, and you have to pay taxes on it. And guess what that does? It triggers an IRS audit."

Then came the flood. In 2005, a retaining wall collapsed, and water poured into the plant he rebuilt that had once been enveloped in fire, causing about \$15,000 worth of damage. As if enough plagues hadn't been sent his way, Cooper got a call a couple of years later from someone who felt remorse for having stored 24,000 pairs of stolen DeFeet socks — about \$250,000 worth. "God told him to come clean," Cooper recalls. An employee had been stealing them, and her husband, a trucker, was selling them at truck stops. "Good news? We

have lots of truck drivers saying they love DeFeet socks. Bad news? They paid a buck a pair for \$10 socks."



In an account of that series of disasters, DeFeet ended up with losses for several years and didn't turn a profit again until 2008, with revenue increasing 23% in 2010. "Growth is flat now," he says. But he has several projects in the works that he says will get the company moving again. "We're not a \$10 million company, but I would say that we have our eyes set on that within the next few years."

To help it get there, DeFeet has embraced the latest marketing trend — social media. Today, what a Tour de France winner says in a tweet can reach more cyclists than a slick magazine ad. So DeFeet uses blog posts, offbeat videos posted on Facebook and "DeTweets" to give cycling enthusiasts an irreverent view of what's hot in their sport. Ideally, customers then pass along the company's messages by re-tweeting or linking to them on their Facebook pages and blogs. "Punk marketing and guerilla marketing give us the advantage now because our customers love to tell our stories," Cooper says.

Hope Cooper says living and working with her husband — she's the company's chief financial officer — is like a thrilling bike ride through the Alps or the Rockies. Other visionaries take a shower and emerge with a cluster of ideas. "Shane wants to reinvent the shower. His vision is often bigger than the company itself." Cooper says he has to keep in mind that "just because you can create doesn't mean you can manage." He lets hosiery-industry veteran Jill Patton — "as in the general," she says — run manufacturing and tries his best to stay out of her and his other managers' way.

"It's my job to get the athlete to wear this product," he says, holding up a tattered black sock that once graced the sweaty foot of Greg LeMond. So far, he has succeeded. "But it took all my nerve, every dime and most of my hair. I'm in a race right now, and until I finish, I'll keep going." ■