

Abuzz about bug jackets

[Mary Teresa Bitti](#) Feb 6, 2012 – 9:31 AM ET



Courtesy of CBC Dragons' Den

Squito Wear developer Edith Sinclair and her grandchildren, Sarah and Seegan, model bug garments on Dragons' Den.

Each week, the Financial Post revisits CBC's previous week's episode of Dragons' Den. Mary Teresa Bitti captures what the cameras didn't and in the process provides a case study for readers, zeroing in on what pitchers and dragons were thinking and what the challenges for the deal are going forward.

The pitch On a family trip to the Rice River near Winnipeg years ago, Edith Sinclair's son David had a terrible reaction to mosquito bites. After that, family vacations were planned around avoiding mosquitoes. Years later, in July 1994, David, an adult, visited his parents in Sudbury and wanted to take part in an overnight camping trip on the French River with his brother and father. "If you've ever been up to Sudbury in July, you know the bugs are out," Mrs. Sinclair says.

"I was quite concerned so I went looking for something he could protect himself with. I couldn't locate any mosquito netting so I used bridal veil and white jacket fabric and made them all pants, jackets and a hood. They looked like the moon men up there."

That was the beginning of Squito Wear. Nineteen prototypes and a patent later, Mrs. Sinclair, who now lives in Stirling, Ont., and a seamstress in Sudbury make 200 to 300 jackets and hoods each year, which are sold on the website squitowear.com and at tradeshow.

"We've done the Cottage Life trade show since 1995 and we're preparing to go again this year." Last year, Squito Wear sold \$10,000 worth of product in four days of trade shows. "We've also had a lot of business from word-of-mouth. People call me up because a friend has a garment and they want one," Mrs. Sinclair says. "I'm at a point where I'm thinking we'd either close the company or take it to a higher level. That's why David and I went on Dragons' Den. If we do want to get bigger, we need the business and marketing expertise and knowledge the dragons can offer. Neither one of us has those skills."

The deal Edith and David Sinclair asked for \$75,000 in exchange for a 20% equity stake, valuing the company at \$375,000. That money would have gone to beef up production. Robert Herjavec offered \$75,000 for distribution rights and an additional 6% to 8% royalty on each item sold. Jim Treliving also stepped in, offering mother and son the deal they came for. They opted for Mr. Herjavec's deal. "We've come through due diligence and met with Robert in late December and we discussed how we could make the product and what needed to happen to get into a big retailer such as Costco, but he did not want to take over production," Mrs. Sinclair says. "He felt we were too small, not enough sales, but encouraged us to continue to bring up sales — at which time he would be interested in talking again. He was very positive and spoke highly of our product."

"Robert did give us some great advice and we are excited and do plan to go forward," David Sinclair says. "We will continue to sell online and at trade shows, and we plan to target

retailers and see if other clothing manufacturers want to take on the product and add it to their line.”

Mr. Herjavec was unavailable for comment at the time of publication.

The experts’ opinions John Cho, partner, Transaction Services, KPMG Enterprise likes the product and its potential market across Canada. He also liked the on-air deal. “Robert indicated he had a friend who was already selling into Costco and could manage production. That kind of arrangement would be very attractive. The entrepreneur could get great traffic and she wouldn’t have to do anything. As it stands, there is no company or infrastructure. The ability to get the product into large retailers was Robert’s trump card. Getting those meetings is tough and getting products into mass merchandisers is even tougher.”

“Growth is a multi-step function. Moving from a cottage business you operate out of your home to an ongoing business is a major leap,” says Brad Cherniak, partner at Sapient Capital Partners. He points to the many variables, including whether you have the confidence and the ability to convince someone else you can move from a one-product company to a multiproduct company. “If you have the funds you can start a small-production operation without a lot of complexity. Move to an industrial space, buy equipment – that’s the first test,” he says.

He also warns there are a lot of decisions to make. “How much time and effort do you want to put in? How much capital can you invest to create enough of a track record to attract financing?” he says.

“Very few investors will invest in a single-product company. What other types of products can you produce that are complementary? And with products that are easy to copy, you may become the victim of your own success. You don’t have to be the only player to be successful, but the bigger players can take your idea.”