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Good Luck Sock still looking to get a leg up from a Dragons' Den deal

[Mary Teresa Bitti](#) | December 8, 2016 | Last Updated: Dec 8 8:58 AM ET

Each week, **Financial Post** contributor **Mary Teresa Bitti** revisits **CBC's** previous week's episode of **Dragons' Den**. She 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 Edmonton-based childhood friends and now business partners Yuri Gerchikov and Leo Shifrin entered the Den to pitch their three-year-old business, [Good Luck Sock](#).

Gerchikov was a computer engineer working in the software development industry when Shifrin, a finance major turned entrepreneur (he had built a window washing business and expanded it to include lawn care and snow removal services) approached him in 2012 with a new business idea: socks. But not just any socks. High-quality, high-design socks that discerning shoppers would be willing to pay upwards of \$10 a pair to wear.

"We did some research, and in major cities where the sock craze was already taking hold, we looked at big multi-national competitors and realized a price point of between \$10 and \$16 was justified," said Shifrin.

In short order, Shifrin, who had spent his last semester of undergraduate studies in South Korea, reached out to a good friend there. "South Korea is known for its textile industry and he helped me find the manufacturer we continue to work with today. Having someone on the ground in that part of the world to help us has been a huge benefit."

On Sept. 1, 2013, the Good Luck Sock e-commerce site (which is managed by Gerchikov) went live, and Shifrin (who handles the wholesale side of the business) started knocking on retail doors armed with a suitcase full of 50 or 60 sock designs. In November 2013, they launched their Sock of the Month club, which features a six-month membership for \$72 and an annual membership for \$132. Subscriptions now account for about half of all online sales. **“We found that most of our customers buy memberships as gifts. Once the membership expires, the recipients sign on and the original purchaser buys again,”** said Gerchikov.



Jason Franson for National Post Leo Shifrin, left, and Yuri Gerchikov are pictured at their warehouse in Edmonton, with their Christmas stock.

By the time the entrepreneurs entered the Den, their socks were stocked in about 100 retail locations (largely independent boutiques) across Canada and the U.S. And both online and wholesale sales had doubled each year.

The deal The entrepreneurs asked for \$200,000 in exchange for a 10% equity stake, valuing the business at \$2 million. At that point, their third-year sales were about \$620,000. They project revenues for the fourth year to hit \$1.2 million. **“We had two objectives for going on Dragons’ Den,”** said Gerchikov. **“To fund inventory and advertising and also to partner with a Dragon who could help accelerate our growth. There is a lot of value in having a Dragon with experience growing a large business to help us get there.”** They received four on-air deals and settled on a joint offer from Joe Mimran and Michele Romanow, who asked for a five per cent royalty until their investment was repaid before reverting to a 20% equity stake. **“After speaking with both Michele and Joe we decided to focus on a deal with Joe only,”** said Shifrin. **“Joe has the fashion and branding experience we need. We are still negotiating with Joe and are confident it will close.”** In the

meantime, a successful trade show in August significantly expanded retail distribution to 200 locations across North America. The focus now is to continue to increase the wholesale business. They plan to attend six or eight, or more, trade shows in 2017 and expect the brand to be in 400 retail stores by this time next year. Shirkin and Gerchikov are already in talks with a major Canadian retailer. Mimran was travelling at the time of writing and was unavailable for comment.

An expert's opinion Unlike Manjit Minhas, who had reservations about how long the sock craze would last, Brad Cherniak, a partner with Toronto-based **Sapient Capital Partners**, says it's no fad. **"These designer socks are a cousin to the T-shirt, which is always popular. I like how successful the entrepreneurs have been with their Sock of the Month club. A lot of people have tried this subscription model and failed. They seem to have figured it out. My question is, why bother with retail? Socks are perfect for online sales. They are understandable, compact, visual, social and like T-shirts, they are an easy, inexpensive way to make a personalized statement. There is no need to be in a store, especially among the bargain socks and underwear. Instead, they could align themselves with events."** As for how to grow in the e-commerce space, Cherniak says the key will be in keeping their offerings fresh and relevant, and to curate those offerings in a way that makes it easy for consumers to find what they want quickly while keeping the process interesting. **"Right now, the Good Luck Sock site has a big pile of men's socks and another pile of women's socks. They'll have to figure out aggregations that make sense but that are not necessarily obvious. If you get too pedestrian, you will be boring. Too broad an offering, you can become bewildering."**