



Shinola is everywhere! With recent appearances in CBS News, Entertainment

Weekly, GQ, New York Times, Time Magazine and most recently a five-page spread in Vogue, and a host of daily newspapers and news shows to prove it. This is no bootstrapped start up struggling to invest in becoming a part of the American dream, but they have showcased the power of a great story, a story people can tell themselves, in building a business.

Born out of Bedrock Brands, a privately-held Texas-based firm owned by the founder of Fossil Inc. Tom Kartsotis, Shinola is setting its sights on building the brand with the "Made in America" tagline straight out of Detroit. Bedrock itself flies under the radar (it doesn't even appear to have a website) but the company seems to be quietly building up a portfolio of consumer brands with a made in USA bent: This past summer, for example, it acquired Filson, the outdoor apparel and accessory company known for making many of its products in Seattle.

The ambitious start-up is the latest venture from Tom Kartsotis, the founder of watch giant Fossil Inc., who retired as chairman of that company in

2010 and has since dedicated himself to building up his private equity and brand management firm, Bedrock Manufacturing Co., based in Plano, Texas.

From 1907 to 1960, Shinola (then based in Rochester, New York) was best known for its shoe polish. “You don’t know shit from Shinola” was once a popular colloquialism. But in 2011, the long-defunct brand name was bought and relaunched by Kartsothis, establishing a new business venture in Detroit focused on watchmaking.

But Shinola has a different strategy. The company aims to disrupt the luxury watch market by offering a quality product — that would normally cost \$2,000 from an established made-in-Switzerland brand — for only \$600. As with many luxury watches, Shinola’s parts are produced in Switzerland by movement company Ronda. But, critically, the final timepieces are assembled in Detroit at the company’s 40,000 square foot facility on the fifth floor of the well known, Argonaut Building on the campus of the College for Creative Studies.

Kartsothis formulated a new business concept, one he calls “**skill at scale**”. The idea seemed simple: develop businesses that would employ skilled workers, produce high-quality products that were

made to last, and build “heritage” brands with a compelling storyline to market everything.

Oh, and make it all in America. Almost every element of the Shinola brand promotes the resurgence of American industry and uses Detroit, perhaps the greatest symbol of the hard times faced by American industry, as the backdrop and rallying cry for joining the movement.

Heath Carr, Bedrock’s chief executive, says the goal was to tap into the same vein that was driving a growing minority of consumers to buy food at farmers’ markets and eat only at restaurants serving locally grown produce. “We’re reaching out to the consumer who cares about where things are made”, he says.

Steve Bock, Shinola’s business manager believes, “basing the firm in Detroit is crucial to the brand’s appeal: “It’s a highly recognizable city – a brand unto itself.” More important, though, is Shinola’s disruptive business model. Swiss luxury brands generally mark up their watches tenfold and use celebrities and saturation advertising to persuade consumers to shell out. Shinola contents itself with a fourfold mark-up, and features its own employees in its (more limited) advertising.

Like its watch line, Shinola's bikes also represent the rebuilding of at least part of an American manufacturing process that broke down during the late 20th century. From the 1950s to the 1990s, American bicycle manufacturing moved overseas as labor and natural resource costs rose in the U.S. Today, Asia is center of the industry, with companies such as Shimano, from Osaka, Japan, holding the major patents for most bicycle gears.

Lending credibility and industry experience is veteran bike designer Sky Yaeger, who came on to lead that design team. Yaeger embraced the opportunity to work domestically. "It was extremely appealing to try to make bikes in the US after all the years of going to Taiwan. I've spent 25 years or so doing the same thing—sourcing bikes in Asia—and this was a new challenge, a new company starting from zero."

And while it seems reasonable enough to manufacture bicycles stateside, a long history of overseas sourcing is not easy to erase. "The industry is based in Asia for the whole world, and this isn't changing. So it was exciting to start something that really hadn't been done before. Certainly small builders have been making bikes in the US but not at the level we're doing it," explained Yaeger.

Yaeger and her design team reached out to one of the most celebrated small builders, Waterford Precision Cycles, to produce each and every Shinola frame and fork by hand in their storied Wisconsin shop—once home to Schwinn Paramount. Both backed by a lengthy behind-the-scenes history, Shinola and Waterford make a sensible match. "There's a high level of mutual respect for what they're doing and for how many years they've been doing it and the level of craftsmanship they're bringing to the table," Yaeger admits. Once the frames and components make it to Detroit, each bike undergoes a near complete, custom-level build to check brakes, gears and overall aesthetics before being broken down again for shipping to the end consumer.

Shinola accessories, made in Missouri, include a leather iPad case for \$295, leather wallets from \$80 to \$225, a leather messenger bag for \$250 and a leather and canvas backpack for \$525. The designs feature classic silhouettes with clean, unadorned lines and touches of rustic influences.

The full range of Shinola products are available in the brand's flagship stores. The New York store is located on the ground floor of the Bedrock-owned building at 177 Franklin Street and the Detroit Showroom store at 441 West Canfield Street.

Shinola is now in expansion mode. Last year it

opened flagship stores in Detroit and Manhattan, with more to come in Minneapolis, Chicago, London and and next month in Berlin. On its drawing board of future products: jeans, shoes and eventually furniture. Along with a \$20 million dollar marketing campaign. Almost every element of the Shinola brand promotes the resurgence of American industry and uses Detroit, perhaps the greatest symbol of the hard times faced by American industry, as the backdrop and rallying cry for joining the movement.

Recently Kartsotis and Bedrock have begun the process of launching Act II in Detroit. In the space adjacent to Shinola's Detroit shop, construction is under way on their latest venture, **Willys** (named after the classic American Jeep), a multibrand store set to open in May 2014. No surprise, it is dedicated to a spectrum of American-made products. Says CEO Bock: "We feel this city has a future."

"This is not just a watch company," insists Daniel Caudill, Shinola's creative director, a longtime brand and product stylist who was previously Adidas' global design guru. "This is a design company."

<http://vimeo.com/88594425>

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