

SUCCESS STORY **Portland District Office**

High-end Jeans Are Looking Good

Surf Cowboy CEO and founder Jeff Shafer moved his family to Camas, Wash., from Santa Monica, California two years ago. He decided to bring his company's headquarters with him, citing the region's deep talent pool for design, its proximity to a major port, and its moderate business costs. Surf Cowboy Inc. is best known for its high-end Agave brand jeans for men.

The move required a new building. The \$9.7 million business broke ground last month on a 24,000-square-foot headquarters and distribution facility off exit 14 on Interstate-5 in Ridgefield, Wash. The land and construction cost \$3 million, funded in part by a **U.S. Small Business Administration loan**.

Jake Agave Jean Co. was founded in 2002 as an all-men's denim brand and hit it big by gaining distribution at more than 500 stores, including boutiques, select Nordstrom stores and Barneys New York.

The jeans retail for between \$185 and \$225 a pair with celebs like Samuel L. Jackson, Adrien Brody and Bruce Willis wearing the Agave threads. Sales for the line, which targets 25- to 45-year-old-men, more than doubled from \$4.6 million in 2006, and the company is on track to earn \$12 million in 2008.

"Because of their fit, their unique wash and the quality of the denim, we've deemed Agave as one of the best price-value products in the market," said Simon Chan, men's senior buyer for Mario's, a high-end Portland clothier which has carried Agave jeans for years.

Shafer attributes the company's strong growth to filling a void in the market. Many affluent men don't think twice about spending \$200 on a sports jacket, shades or shoes, and in recent years that thinking has extended to high-end jeans.

"In the beginning, the stores I approached were like, 'no way,'" Shafer said. "It was an acquired taste, and like any acquired taste once you get spoiled you don't do back"

One year ago the company ventured into the women's market, launching a line called Agave Nectar, which recently gained distribution into Bloomingdale's. Today Agave's women's line, which targets 30- to 50-year-old comprises 10 percent of the company's sales.

The company expects to more than double its work force from 10 to 25 within three years, in part because it is bringing in-house its distribution function following the move. Construction at the 2-acre site will be complete by the start of 2009.

Shafer wants to turn the Jake Agave Jean Co. parent company — Surf Cowboy Inc. — into a family of apparel brands.

He's launching a new line of premium jeans called Red Scorpion, which will target a demographic between 15 and 25 years old.

Shafer also co-founded the men's apparel company BC Ethic Clothing in 1992. The homage to blue-collar apparel took off, and the company was worth \$24 million when he sold his stake in 2001.

Despite a tough retail environment, developments in the high-end denim market look good for Shafer's business. The market for jeans costing more than \$75 grew 24 percent in the first quarter of 2008, according to NPD Group, compared to 2 percent for jeans costing less than that. The total jeans market is a \$200 billion a year enterprise. The high-end jeans market made up 3 percent of jeans sold in the United States in the first quarter of 2008.

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