

## Sweaty startup: Atlantan sees need for absorbent shorts

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By Matt Kempner - The Atlanta Journal-Constitution



Michael Luscher, founder of Point 3 Basketball, with his shorts made for sweaty players.

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*Business ideas can be born anywhere. Thirty-nine-year-old Michael Luscher's stemmed from his sweaty hands as he played basketball at a local fitness center.*

*He tucked a towel in the waistband of his shorts to make it easier to dry his mitts while running down the court. That not-so-remarkable move led to the creation of Point 3 Basketball, a basketball-only apparel company based in Atlanta's Little Five Points. It markets shorts, jerseys and hoodies with fabric that makes it easy for players to wipe sweat off their hands and faces.*

*Luscher's five-person venture generated nearly \$500,000 in revenue this year and won a patent for combining wicking and absorbent material in athletic apparel. It's also sued Nike. What Point 3 hasn't done yet is turn a profit, but Luscher says he's not sweating it.*

All the time I get people who are like, "Man, that is a great idea. I've had all these great ideas, but I never did anything about it."

I had one really good idea. What a miserable (guy) would I be if I always lived with that what-if hanging over my head.

I don't come from entrepreneurs, I come from risk-averse people. Part of the reason I wanted to get into this: I want to have control of my destiny.

*A New York native, Luscher got a sports management degree and worked for Major League Baseball and the National Football League. Successful Atlanta businessman Charles Ackerman, a close friend of Luscher's father-in-law, became a mentor. Ackerman invested in a local technology business, Blue Sombrero, and got Luscher a job helping lead the venture.*

There's a real big difference between saying and doing. In big companies you have to say it, explain it, sell it internally and then usually someone else does it. Small business is all about doing. I didn't get that. It took me a year, which in small business is a lifetime.

My split from Blue Sombrero (after three years) was acrimonious. I had never failed at anything and what I failed at was managing that relationship (with the company's founding partners). They bought out my contract. That gave me a couple of years of living expenses for me and my family.

My ego was bruised. I was rudderless. I thought I would go back to corporate world. My wife said you need to get out of the house more. So I started playing basketball again. Other than my friends and family, it's my favorite thing in the world. The thing I do best on a basketball court is sweat.

*Old-school cotton clothes would get heavy from sweat. New, wicking clothes helped, but Luscher found wiping his sweaty hands on the fabric didn't make his palms any drier.*

Remember that infomercial for ShamWow? That fabric is incredible material. I would hang them over my waistband like a quarterback's towel so I could dry my hands off during the game. I told (friends who have since become partners in the business) what I was doing. They made a joke. They said you should pin that towel to the side of your shorts. That was the aha moment. It gave me a project, which is really what I needed.

*He paid a firm \$800 to see if the idea was patent-able and if the concept already existed. He attended trade shows to learn about fabrics and manufacturers. He mapped out a business plan.*

What I realized was there was no brand exclusively dedicated to performance apparel just for (basketball) players. Everyone knows about basketball shoes, and there is incredible innovation happening in footwear, but the market had ignored apparel. That's when we decided we had a business. Thank God we were as ignorant and naïve as we were. We didn't really think through how competitive that business is.

The concept was pair this proprietary technology with a brand that says "all we care about is you, basketball player."

*He went to a big local three-on-three basketball tournament.*

I told them at the door that I was a business school student doing a paper on basketball marketing. I got to interview 300 kids. That was my market research. I had a list of 10 questions about basketball preferences, brands, what do you wear when you play.

My wife is the one who has the guts in the family. I'm a look-before-I-leap, look-again, see-how-many-things-I'm-going-to-hit-on-the-way-down kind of guy. I'm stressing over all this stuff. I said, "I don't know if I'm going to do this." She said, "You are already doing it. You just haven't said it yet."

*They put \$100,000 of their savings into the venture and raised \$400,000 from friends and family. Because he launched during the recession, Luscher found garment manufacturers willing to give him good rates. (Initially the clothes were made in Nicaragua, but now he relies on a Colombian company.) He hired a few employees but he relied heavily on contractors to keep costs down. Two partners let him use their office space and did early design work in return for an ownership stake in the company.*

The fear of failure is what gets me out of bed every day. That it is not always healthy, but it's a very legitimate and real motivation for hard work.

We are a tiny company operating in an industry where there is no competitor that does less than \$100 million a year in sales.

*Luscher landed a deal to put his apparel in five stores of Northeastern sporting goods chain Modell's.*

What we didn't know at the time is they (big retailers) want to make 55% margin. We were breaking even on every unit we sold and then we had to spend on marketing. They want 60 percent sold two months after the point they carried them on the floor. We hit that. What happens to the remaining 40 percent? It gets put on markdown.

We realized that wasn't the way to build a brand. So we bought back virtually every garment that was on closeout. We had a recommitted investment from our board of a slow-growth model. We moved from a wholesale-distribution model to exclusively direct-to-consumer.

*Earlier this year Point 3 sued Nike, claiming the logo on a new Nike shoe was Point 3's.*

After five months or so of back and forth, we settled. It is confidential. I can tell you that is the last time you will see that logo on anything other than our stuff. You can't be afraid of confrontation. If you are going to be a small business, you need to make sure that people know they can't take what's yours. I remember I wrote (his lawyers) a check for like \$50,000, and we only had \$100,000 in the bank.

We are beginning to have discussion to license the technology to other vendors. That is the game changer for us.

Profitability is not immediately a goal.

*Another round of funding from investors gives the company more money to grow in the meantime. Luscher estimates he works 70 to 80 hours in a normal week, doing work before he goes into the office and after he comes home.*

I eat two meals a day around the table with my kids, cause that's a priority. One of the challenges is I'm not able to be in the moment as much as I'd like because I'm always thinking about this business.

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Each Sunday, the AJC brings you insights from metro Atlanta's leaders and entrepreneurs. Matt Kempner's "Secrets of Success" shares the vision and realities of entrepreneurs who started their dreams from scratch. The column alternates with Henry Unger's "5 Questions for the Boss," which reveals the lessons learned by CEOs of the area's major companies and organizations.

Find previous columns from Unger and Kempner on our premium website for subscribers at [www.myajc.com/business](http://www.myajc.com/business).

Luscher' tips:

- Ideas are not the hard part. Where the entrepreneurs and the players are separated is at the execution level. Are you ready to do everything it takes to make it happen?
- If you are selling a product direct to consumers, make sure there is a specialty retail outlet for whatever you are selling.
- For consumer goods business, plan on funding the young business either through debt (selling your receivables) or through selling equity in the business.
- Consumer products need to have a steady resupply of inventory. You can't think "I'll make 100; I'll sell 100; I'll make 100." You have to make 100, and when you've sold 50, you have to have the next 200 ready to go."

Point 3

Based in Atlanta's Little Five Points.

Launched in 2009.

Michael Luscher, 39-year-old founder and chief executive.

Annual revenue: On pace to hit just under \$500,000, up from \$175,000 last year.

Profit margin: Not yet profitable.

Business: Point 3 sells basketball apparel — shorts, jerseys, hoodies, etc. — that wicks away sweat but also has absorbent material so athletes can wipe off sweaty hands. The company sells through an online site as well as through a network of coaches and through a catalog of team uniforms.

Staff: five full-time workers including Luscher and a paid intern. Also a core of outsourced workers.

Ownership: Luscher owns 48 percent of the company. The remainder is owned by 22 investors, most of them family, friends or friends of friends.

Luscher's pay: No pay at first. Now, he averages about \$40,000 a year, though some months he will go unpaid.

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