



LEAD WITH WE

EPISODE 3: JEREMY LOTT

Simon Mainwaring:

Lead With We is produced by Goal 17 Media, storytellers for the common good.

Jeremy Lott:

As business leaders. We have to recognize that our customers, their customers, our employees, our communities, our stakeholders, expect us to be active, positive participants in the world.

Simon Mainwaring:

Hi, everyone. Welcome to Lead With We, the podcast that shows you how to survive and thrive in changing and challenging times. And I'm really excited about our guest today. Jeremy Lott is the CEO of SanMar, a very large apparel company that touches all our lives in many ways that he'll go on to explain. Jeremy, welcome to Lead With We.

Jeremy Lott:

Thanks for having me.

Simon Mainwaring:

Jeremy, most importantly, you have six children and we're all staying home during COVID-19, this pandemic. What is that like?

Jeremy Lott:

Yeah, it's a challenge. My oldest is 18. She graduated from high school yesterday, so it was a drive through graduation. We drove our car. She got out, went up on stage, got her diploma, got back in the car and kept driving. And my youngest is eight. So there's a 10 year gap. It affects the kids differently. My wife and I both, we're working from home. It's been a challenging time for them depending on the age. But we're doing everything we can to make it as positive and the best out of it that we can.

Simon Mainwaring:

I think that's true of everyone. And we've all had lots of quality time with each other that we didn't even imagine was possible before. I have a 20 year old and a 17 year old daughter. And if I had to think of a reason that would allow us to stay together 24 hours a day, for 12, 14 weeks in a row. I imagine having a large family is good training for running what is an intergenerational, multigenerational business. Tell us a little bit about the history of SanMar that you are now leading.

Jeremy Lott:

So my father started the company in 1971. So next year will be our 50th anniversary. Early on, he brought my grandfather in the business. So he worked with my grandfather for the first, maybe 20 years or so. I've been working in the business really since birth, but full time since 2002, president of company, since 2013. We manufacture and sell apparel or other soft

goods. Things like hats, bags, scarves, towels, to people who put a logo on them and resell them. Whether it's for company use or schools for teams. I always tell people, next time you're at the airport and you're waiting to get in line on a plane. You look at people traveling, look at every piece of apparel that has a logo that's not the brand, so it's not a polo logo, but it says the name of their business, the name of their school, the name of their church, the name of their club, all of that product could come from us. It's been an amazing growth story and a really a cool experience to be able to work with my dad. I feel super fortunate to have this opportunity.

Simon Mainwaring:

And tell me about that. You joked that you've been working for the company since birth, but I imagine every dinner conversation, what you over here has shaped you as president of the company and as an entrepreneur. Tell us a few insights. Is there anything your dad shared that really has kind of stayed with you and made a difference over time?

Jeremy Lott:

SanMar when I grew up was a small business. And when you have a small business, your kids are free labor, right? So we would go to the office on weekends, and we would stuff invoices into envelopes. We would go and help unload trucks, we worked in the business. In our family it was, we didn't talk about sports or politics, we talked about the business. My dad started the business because he saw an opportunity that if he could treat people well and he always says, "Tell the truth and be nice." That was his mantra. If he could do that, he could be successful in an industry where that didn't exist before. And so I think there was this values piece built in the business kind of from day one.

Simon Mainwaring:

Yes. I think we all take those hard won lessons to heart, and they shaped the companies that we built at the time. As you come in as president now, you're obviously bringing something new to the table. And I see that you've had your sustainability report come out in 2017 and beyond. Is that something you consciously laid in? Is that something that's risen to the top of the company more recently?

Jeremy Lott:

I think so. I think that my dad built a distribution business, we bought t-shirts and sweatshirts and we bought them in truckloads and sold them in pieces. And we made a margin doing that. The big change that I think I led over the last 15 years or so was building an apparel business. That happens to be in this kind of imprinted sportswear, promotional products, uniforming space and distribution's still a huge part of what we do, but we really built this apparel business.

Jeremy Lott:

And I think one of the things that we learned early on was this idea that once our product gets a logo on it, and everything we sell gets logo, that the school, company, church, organization team, whatever it is, it stops being a SanMar shirt and starts being a Hickey brand, Seattle Seahawks or Microsoft or Starbucks. And our customers really cared about how that shirt was made. And it was made in a responsible way. So early on we recognized we had this responsibility, but for me, it wasn't until the Rana Plaza Factory collapsed in Bangladesh. That was really a wake up moment for me. And I said, "Are we part of this unfair labor practices and now maybe dangerous working conditions and things."

Jeremy Lott:

I'd spent a lot of time traveling and I've been in factories for years and I'd seen bad factories and I'm being totally honest, we had production in the bad factories. I'd also seen a lot of really good factories and people that were investing in their communities that were doing the right thing. So we made a shift at that point that was really conscious for me, that was saying like, "We need to work with people that are doing good things." And so becoming really purposeful about thinking about our supply chain and our partners and how we could do really positive things. And so that led into our first CSR report and being more transparent in reporting and not just doing things internally, but actually telling our customers and other stakeholders what we're doing and saying, "Hold us accountable."

Simon Mainwaring:

And for those who don't know about what happened in Bangladesh and how it did wake up the apparel industry, tell us a little bit about that.

Jeremy Lott:

Yeah. So if you had gone to Bangladesh before, in Dhaka, there were a lot of factories that were in multi-story buildings and you would see sometimes markets on the ground floor and you would see factories kind of above on several stories. One of the factories literally collapsed, the building collapsed, killing over a thousand people. I think as an industry, we just hadn't focused on actual physical safety as something that would be important. And so this was this huge wake up that as brands, we have a lot of influence. We have a choice on where we want to manufacture, so we can be very influential I think implementing change.

Simon Mainwaring:

And doing good is self evident in some ways, but still you've got to sell it in. And every entrepreneurial, large corporation has a chief financial officer or an investor or a board that may be reluctant because maybe that includes certain costs. How did you sell that in internally?

Jeremy Lott:

So certainly it's easier at SanMar in some respects because we're this private family business. And it was like, I had to convince my dad. And so, but that was that, it was over lunch and saying, "This is really important." But I think that the real selling point, I think, if I'm selling it to that CFO is to say, "Look, I understand it might cost me 25 cents more for the shirt at factory A than it did at factory B. But what does it cost me if CBS news shows up at factory B and they show our shirts being made and they show child laborer or they show dangerous working conditions, what does that mean to our sales?" So there's a true kind of impact in terms of what's the PR risk on a brand.

Jeremy Lott:

I think the other thing, and I think the thing that we have found over time is that better factories are a little bit more expensive, but that's in your FOV costs. What they do in terms of quality and consistency, we don't have nearly the problems that we did. So I think that when we look at truly the bottom line for SanMar, we actually make more money working with better factories. And then maybe the last thing for me was selling it internally was easy because I was able to kind of make this a real rallying cry for our organization. And people got excited about being part of a social change. Overall, I think it's been a tremendous success for us economically, as well as actually doing good things.

Simon Mainwaring:

And tell me more about that, because that if you are doing good, it will be meaningful for your employees, but everything you do as a business owner, a family office company like yours, or whether it's even a publicly traded company you're accountable in terms of your bottom line. So how do measure the effect on your employees on your internal culture? What have you seen show up in terms of the impact it's had?

Jeremy Lott:

The thing that was interesting to me first was that I thought as a company, it's a place we could have the biggest impact. It's what we do. And we think there's somewhere around 150,000 people globally who sew for SanMar, so that was a pretty big footprint. And then I started kind of getting, I felt like geeking out on this. Because I started learning about what were the things that drove positive development metrics in companies, whether it was life expectancy or infant mortality, or GDP growth and issues around economic security and empowerment of women were the number one drivers for some of these really positive development metrics. And I said, "Okay, well, this is an amazing thing because our industry does that, can do that in spades in a really positive way."

Jeremy Lott:

We started telling the story internally of what we were doing, what our supply chain was doing, how we were choosing factories and people started wanting more. They wanted to hear more. They want to learn more. So then we started telling these stories internally about the factory in Ghana, pulling women in a part of the country, in this neighborhood called Jamestown where there's zero formal employment for women and this factory has gone on how it's creating, what it's doing to kind of intergenerational poverty in this small part of Ghana. So people got really excited. We would have people come to SanMar because they'd seen those stories. It became our best recruiting tool for people who wanted to work at the company, people would come up to us and tell us that. So absolutely it was really easy actually to kind of galvanize. I was almost maybe surprised how excited people were to be part of something that they thought was doing something really positive.

Simon Mainwaring:

Obviously there was a growing U-Economy, which is increasingly purposeful because we have to solve for these big issues out there. And I see that you have a vision statement, "A Canvas for Good" tell us about that.

Jeremy Lott:

So we've gotten together as a leadership team to really try and define what our vision was kind of for the company and to help that set a strategic roadmap and we came up with this idea of 'A Canvas for Good', because we think the t-shirt is this canvas, but it can really do good things. And so we thought about our factories, mostly in the developing world, what we could do in the communities with people who make our product. We certainly thought about our employees. How we invest in the communities here in the United States where we live, and then we thought about our customers too. And so our customers, again, they put logos on products and resell them.

Jeremy Lott:

So when you have a walk that's raising money for cancer research, and everybody gets a shirt, that gives you a sense of pride, it gives you sense of community, we're raising money for a cause. And so yes, our shirts get the Seattle Seahawks logo on them, but they also get that

cancer research walk. And honestly, we think that even that Seattle Seahawks logo, it does a lot to kind of build a sense of community within the city that we're in. And I think, especially as we look at the events of the last few weeks and the level of kind of divisiveness that exists in society today, I think anything that we can do that helps us build a sense of community is really a positive. And I'm not naive enough to think that t-shirts solve everything. But I think that when we feel a connection to other people and we're part of a group that that does help, that's why we created the idea of A Canvas for Good.

Simon Mainwaring:

And let me ask you in the same way that purpose has to deliver value to the business internally, it's got to do it externally in your sales and communication. So have you found thinking this way, whether it's the retail partners you work with or just consumers out there in the marketplace, has it translated? Has it made a difference to the business in the bottom line

Jeremy Lott:

It for sure has. Our customers, they want this, they want the stories of the things that we're doing positively. They want to share those stories with the brands and organizations that they're selling to. If they can tell the story of how this was made in a sustainable way, if they can tell the story about how the factory in Honduras supports the Touching Hands Project, the shirt that I'm wearing today, that is a positive for them in a sale that they're making

Simon Mainwaring:

In this new economy, it's natural for a consumer facing brand to show up in ways that are doing good because that resonates with their customers. But why would a B2B company like SanMar do it?

Jeremy Lott:

I think when we first thought of it, it wasn't about our customers. It was really about our family and our employees. And honestly just feeling personally like this was the right thing to do. And so it really started internally. Then I think when we started talking to some customers and saying, "Hey we're doing these things." And they're like, "Wow, tell us more." It wasn't done at first because we thought anybody cared. It was done because we cared and we thought it was the right thing to do. I think that we've found out that even being a B2B company, being purposeful about doing good actually has been a positive for our business, that our customers really care and that they want those stories because they're selling our product and they need to be able to tell them.

Simon Mainwaring:

And in terms of your employees, I know you mentioned it really motivated them. It became a rallying cry, but you also take tangible actions like Why Not You Foundation and friends of the Children, what are you doing to actually put the employees to work in that sense to generate an impact together?

Jeremy Lott:

We support different organizations in the communities that we live in every year. And the thing that's been really, I would say exciting about it is it's not just SanMar writing a check, at the end of the day we are contributing money, but the employees really get involved. So they get excited about how we're raising the money and they come with amazing ideas of, "We're going to do this, we're going to have a golf tournament and we're going to have a bake sale. And we're going to raise money." The level of excitement that's generated internally, the level

of just people feeling like they're part of it is been really, really exciting. At the end of the day, the company donates the vast majority of the money, but the employees feel like they've been a real big part of it.

Jeremy Lott:

But the most exciting thing for me was not the organization supporting something. It was our credit group started a credit cares committee. And so they go out completely independently and on weekends, they'll go work at a Habitat For Humanity, or they'll go clean up a beach or they'll do these different projects by themselves. And so culturally it's become something that as an organization we want to take care of the communities that we're in and be a part of it. We're in the city called Issaquah, which is a suburb of Seattle. And we sit on this hill. And I think we used to look at our world a little bit like, we were on this little hill in Issaquah, and I think we really changed to feel like we were actually part of these communities and we have a responsibility to give back.

Simon Mainwaring:

There's no more powerful example of that than how companies have showed up around COVID-19 and the need for PP equipment. You have been one of the biggest players in the space. So tell us a little bit about how you responded, what that process was like spinning in kind of crisis response and the impact you had.

Jeremy Lott:

We were having a nice year. Our business was good. And then the night that the NBA stopped playing and you had two teams that walked off the court, and I think Tom Hanks, the actor kind of came out and said he was positive. Our business just stopped. And it really fell really hard, really fast. And all the things that we normally sell to weren't happening, there were no kids sports. There were no schools, there were no concerts. There were no events. There were no conferences. And it was scary because we didn't know what the bottom looked like. We didn't know how long we would be there. We had to send everybody home. Then we had to figure out how we could keep our distribution centers open, if we could do it in a safe way.

Jeremy Lott:

And so we're in this real triage mode, we're cutting expenses. I had to cut salaries for our employees. I cut my salary to a dollar and I got an email from one of our employees. Her son was an EMT in Bellingham, which is a city North of Seattle, kind of close to the Canadian Border. And she said, "They don't have masks." And they're telling him to wear a bandana when he goes out. And I'm thinking, "This is insane that in 2020, in the United States, we have our first line responders who don't have basic protective equipment. How is that even possible?" And so it kind of crystallized it for me that there was this need, "We make tee shirts and sweatshirts, what are we going to do?"

Jeremy Lott:

Our largest yarn vendor called us and said, "We're putting together a coalition of American textile companies to make protective masks and we want you to be part of it." And so I was all in. And the amazing thing was, normally, to make this shirt in normal time. This is an 18 month process of developing and testing. And all these things from March 18th to March 26, we went from never having made a mask before as a business and never even thinking of making an mask, to being in production on protective masks, they were making about 10 million a month for the government, for their strategic stockpile. We had to figure out in 18

months, we had to figure out how to do those in like seven days, it was hard, but it was amazingly exciting to be a part of. And I'm really proud of the way our business has been able to be hand of helping when there was really a need.

Simon Mainwaring:

And tell us about that because I think moving forward more and more brands are going to be called on to respond to more and more crises, whether it's related to climate, whether it's related to pandemics, what did you learn about that process that you're going to carry forward that might actually help others do the same?

Jeremy Lott:

We use Zoom, we use Microsoft Teams. We had a command center on Teams. We had people going in and out. They were working on projects. We took so much of the process out and we said, "How can we do this in a really short period of time?" And so the way the collaboration, the way people were working was really phenomenal. I've never seen that before. And I've never actually been part of something like that. I made a call to a woman who is the, I think her title is the Chief Sales Officer at UPS. And I had met her once before her name is Kate Gutmann. And actually, I had sent her an email saying, "Here's what we're doing. Will UPS be willing to help?" She called me within 30 seconds of getting that email and said, "Whatever you guys need, UPS is here to support you. Like, "I need a plane tomorrow at noon to make this run that no one would ever normally do. It doesn't make any commercial sense, but I have sewers in Tennessee waiting to start selling Monday morning and I need fabric from the DR to get there. And how do we make this happen?"

Jeremy Lott:

And so pulling together partners across the globe, our partners in Honduras, our partners in Vietnam, our factory in Tennessee, a logistics partner, like UPS, holding people together to make this happen. And everybody understood the urgency. And that was the thing that was really amazing.

Simon Mainwaring:

And any lessons that you learned on the way that you think, "Wow, I'm going to do things differently. Moving forward."

Jeremy Lott:

The biggest lesson I have learned throughout all this.. When you're in a crisis or when you're in tough times, this isn't the time that you can go start new relationships and build things. This is the time that you lean on and leverage the partnerships that you have built during good times. And so I think that for me, was the biggest lesson here. And I think going forward really taking that to heart. Sometimes in good times, I think businesses can think of the world as transactional. "I'm going to move this vendor from one to the other, because it's 5 cents cheaper." Well that comes back to bite you in hard times, I think when you really partner and over longterm, you get to know people and you build a partnership. When things are tough, that's when you need that. And I think that's been the biggest lesson I've taken from this.

Simon Mainwaring:

Did it help the company to allow you to bring some people back?

Jeremy Lott:

Yeah, so I think first off, when you think about our factories, the factories were closing, but the fact that we were going to be making protective equipment, we were able to reopen the factory. These are factories in Tennessee and under us and in Vietnam that otherwise would have been completely shuttered. So figuring out how to operate and social distance, we did that really quickly, but those factories were able to be operational. So that was huge, especially in countries where you don't have a strong social safety net.

Jeremy Lott:

As you look at SanMar and our employees, most of our employees in the United States, in our distribution, our corporate office, we had cut hours, we had cut salaries, but we didn't lay anybody off. And I am really proud to say that I brought everybody's salary back as a few and first to their full salary, certainly a big piece of that is the mask. It's also that our regular business is coming back. And I think that people recognized the world didn't end. And as states start to open and hopefully in a really safe way that there is business and that there's opportunity. And so today we are basically at the same number of employees that we had prior to COVID and we're full hours and full salaries for all of them.

Simon Mainwaring:

And it's one thing to respond to a crisis in real time. And it's another thing to prevent a problem arising in the first place. And I know you're deeply committed to sustainability. You've got a massive global supply chain. How do you go about making that more sustainable? And what are the steps you've taken on the way so that we really do have a positive effect by the product we're making, rather than creating a problem that we've got to fix for further down the road.

Jeremy Lott:

First off, I see it two ways. I think there's a moral imperative and an economic one. Somebody gave me an example of, one of our customers does a conference every year. And they do about a \$100,000 worth of swag that's given out at this conference. And they've had that for several years and they called their company that was putting on a conference and they said, "Hey, let's start talking about what we want to give away next year." And the company called back and said, "Hey, this year, we've decided not to give any swag away. We're going to give carpet offsets to the people who are coming to our conference, but thanks very much. We'll call you in the future." And that customer lost a huge piece of their business.

Jeremy Lott:

So for me, that's an economic wake up call that says, "If we can't make product in a sustainable way, then companies and brands are going to choose not to buy our product or less of it." There's that piece. And then there's a fact that I live on this world with my six kids and I want it to be here. I want the quality of life that I've had to be here for my children and my grandchildren. We know that apparel and the textile industry has not have a positive track record on what it's done to the environment. That's specifically around the creation of textiles and water treatment and wastewater. And so understanding that going deeper into your supply chain, and this is really hard, because the supply chain is long and convoluted, but to really understand how your product is made, who is making your product, how they're making it, and then making the right investments to make sure that you're making product in a sustainable way is really, really important. And it's really hard to do.

Simon Mainwaring:

The apparel industry, like every industry has an Achilles heel. It has a challenge in terms of the perception of the industry. And I think in the apparel world, obviously there's these labor issues. So how does your brand, how does any brand go about taking on a longterm issue like that so that your employees feel good? So retailers feel good, so consumers feel good. Where do you begin? Help us think through that process.

Jeremy Lott:

The biggest piece for us was SanMar having a physical presence in every factory that we do business in. It's one thing to go take the guided tour of the factory and say, "Oh no, everything looks good." And then not go back or go back once or twice a year and go take that guy to tour again. It's a different thing to be there full time. That took an investment for us to do that. But when you make that investment, a few things happen. One, that factory can't outsource your production to another factory. A lot of the labor abuses that happen were not in factories where you thought your product was being made at, they were in factories you didn't know your product was being made at.

Jeremy Lott:

When you have your auditors, your people, your employees, there full time. That's a much harder to do. When you have people there that aren't just sitting in a QC room going through boxes, but actually working sewing lines and working with the people. They get to know the people, they have build relationships. They understand if there's abuses that are happening. And so that for us has been the biggest change that we made is having a physical presence and having our people, not just sitting in a room, not separate from the factory, but actually part of it and working the production lines. And so we feel like that has helped us really understand what's going on in the factory. And we've made decisions to move out of factories that we weren't comfortable with. And so we can use our buying power and influence to make a factory, make positive changes because they understand there's value to them and doing it. And that's, I think our biggest weapon that we have.

Simon Mainwaring:

And it's so powerful to keep your suppliers, your factories sort of on notice that they're accountable. And at the same time, as you move through the supply chain, you've also got your customers. And I know that you do SanMar U, and you do SanMar Radio to keep in contact with them. Tell us a little bit about what difference that makes to the business.

Jeremy Lott:

We really think education is such a critical piece of what we do. So we created SanMar U as a vehicle for us to help educate our customers about decoration techniques, about factory information, about product information, our customers sell apparel, but they also sell a lot of other products. So they can't be experts on everything they sell. And so we try to give them education so that they can be an expert. So everything from what's the difference between a jersey knit and pique knit to what does really sustainability mean when we say that in an apparel product. It's been a really valuable piece for us, certainly our social media as well. We tell stories through Instagram and Facebook. And so we're active across all of these different channels, talking to our customers.

Simon Mainwaring:

And as we look at this new purposeful economy, this new kind of re-engineering of capitalism, what would you say to those who are sitting on the sidelines? Those who are

thinking that maybe this is not their place to step in, and re-engineer what they are doing or that consumers or employees won't reward them for doing so.

Jeremy Lott:

I would tell people that I understand that sentiment. I feel it because I think there's this transition from business being like, "My job is to buy something for X and sell it for more than X and treat people nice along the way." A lot of us have grown up in that was the world. And I gave a talk to our employees last year. And I said, "The crux of the cock was that the pace of change in the world will never be as slow as it is today." Because the world is accelerating and this change is happening. Whether we like it or not. As business leaders, we have to recognize that our customers, their customers, our employees, our communities, our stakeholders, expect us to be active, positive participants in the world. It is not enough today just to buy something for X and sell it for more than X. And they will choose to work with companies that do that, or, or choose not to work with companies that don't.

Jeremy Lott:

And so, while I appreciate people who say, "That's not what we do." That is where the world is today, and it is going there really fast. And I would just encourage people to recognize that and to start having conversations with people, you don't feel that, talk to your employees, talk to your customers, talk to other stakeholders, because if you're not there today. You're going to be there. And I really think that is where business is moving.

Simon Mainwaring:

And give us a bit of a window into what you hope will be the future of business, the role it will play?

Jeremy Lott:

I don't think anybody has the same ability that industry does. And I think if you think about what industry has been able to do with just a capitalist kind of mindset, it's phenomenal in some ways, but if you can combine that with a purpose, I think that you can move things so much faster. And I just think that it is such a powerful kind of medium. And so when those things align, it can generate so much good. And so that's why I have a positive hope for the future, because I really think that's where the world is moving.

Simon Mainwaring:

Fantastic. Thank you so much. I really appreciate your time. And also the leadership you've been providing on the strength of all the leadership of your father and grandfather. And it's really, really exciting to see a company that's upstream in the supply chain being so responsible and really being an exemplar of responsible B2B behavior.

Jeremy Lott:

Thanks for having me.

Simon Mainwaring:

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