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## **LEAD WITH WE**

### **EPISODE 10: BLAIR KELLISON**

Blair Kellison:

For anybody who is listening to this podcast, the two greatest issues they'll hear about the rest of their life is climate change and income inequality, but I think more than anything else business has created those two problems, and more than anyone else businesses can solve those two problems.

Simon Mainwaring:

From We First, welcome to Lead With We, the podcast where top business leaders and founders reveal how they built their companies to be high impact and high growth by putting we first. Lead With We is produced by Goal 17 Media, storytellers for the common good.

Simon Mainwaring:

Welcome to this week's episode of Lead With We where I'm talking to Blair Kellison who is the CEO of Traditional Medicinals, the fastest-growing tea company in North America. Blair, great to have you on the show.

Blair Kellison:

Hey, thank you so much for having me, Simon.

Simon Mainwaring:

Now Blair, you as a CEO, you as a company, have been purposeful long before it was 'fashionable' or top of mind for business. I mean, the company has been around 45 years. Help us understand why the company was started that way. I understand the founder was Drake Sadler, and what was his motivation?

Blair Kellison:

Sure. So I came into the company in 2008 in his 34th year. A little bit daunting to come into a company in its 34th year and be the first CEO of the company besides the founder, but I really credit Drake for both realizing that the company needed more than he could offer at that time or some additional things that he could offer that he had.

Blair Kellison:

But he started the company in 1974 with a woman named Rosemary Gladstar. Rosemary is a fourth-generation herbalist and she had a thriving herbalist practice both out of their home that they lived in and then also she had a window at a natural food store in Bernville in northern California where you could just go to that. It was Rosemary's Garden. You went to the window and you'd say, "Hey, I'm feeling constipated" or "I've got a sore throat", and she'd make up a formula for them. And

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he had the idea of like, "Hey, let's take the top 10-15 things people come to you with. Let's make the formulas all up in teabags, and let's sell it in the store." The philosophy for the business was twofold: (1) They really wanted to revitalize herbalism. It had kind of been lost. And then in America really reintroduce people to herbalism. And the second thing they wanted to do is they wanted to start a business. They wanted to have a business that didn't exploit people, didn't exploit the environment, and really embraced these growing communities because these herbs actually come from all over the world, many different countries, typically in impoverished countries, and many of them are collected in the wild. That means mostly women go out with a burlap bag and they go in the forest and they were collecting these things.

Blair Kellison:

So the magic of our company is that we took this thing that people were pretty curious about, herbalism, where all the herbs come from and the history behind it and they're also pretty skeptical about it like well, how do you do this stuff? How could I make an herbal formula myself? And they put it into this form that everybody understands: A teabag.

Simon Mainwaring:

And let me ask you this, Blair. Was it a fast-growing company out of the gate? I mean, it's such a crowded category, tea and coffee. There's so many big players and so on. Did it just shoot out of the gate or was this something that built up over time?

Blair Kellison:

Yeah, we're an herbal medicine company that's disguised as a tea company. Now the company was not an overnight success. People didn't really understand herbalism. They didn't understand. The teabag part was easy to understand, but just why would I take this? And they spent decades building that knowledge base. One of the big tenets of the company was herbal education, and for 45 years we've been educating consumers about herbalism and how to incorporate it into your life.

Simon Mainwaring:

And let me ask you about that. Was that a necessary strategy, because it sounds like the company almost had to take what it wanted to do to market in a form that people can understand, tea, but then slowly upgrade people's understanding of what you're doing. Was that a conscious thing or was that something you look back at now and go, "Oh, that's really how it shook out."

Blair Kellison:

That's a better question to ask Drake and Rosemary. I mean, if it wasn't, it was a brilliant strategy.

Blair Kellison:

When I came in, we were ready to make that bet that we could sit next to Lipton and give it a shot. So what we really did is we made Traditional Medicinals available in the

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tea set right next to Lipton and Bigelow, and so we made it accessible. We never changed one formula, and we never changed one supplier.

Simon Mainwaring:

And let me push on one little area there. When you're really offering these properties of herbs and so on, you win or lose the day on the quality of the products that you manufacture. So tell us how do you control product quality? There are so many certification organizations out there. There are so many purposeful brands making similar claims. How do you make sure yours stand above the rest and then how do you make sure that people can believe in those claims?

Blair Kellison:

So we stick to some really strict standards, and we stick to them. So just an example: Let's say there's this much chamomile out there in the world and there's a lot of chamomile. It grows all over the world, right? There's this much that's medicinal quality. And then of the medicinal quality, there's this much that's organic and of the medicinal quality that's organic, there's this little sliver that's fair trade. That's what we're buying. Socially responsible, environmentally responsible medicinal-grade herbs. It's a sliver. Even an herb like chamomile, which is one of the most prolific herbs in the world, probably 3% of the world's chamomile grown would qualify for Traditional Medicinals, and then we have to be willing to go out of stock when we don't have it.

Simon Mainwaring:

And let me ask you. I mean, that's a pretty bold decision, I mean, and it's not necessarily one that everyone could make where we say, "Hey, we're going to put quality above and beyond absolutely first priority so much so that we're going to be out of stock if we can't find the right ingredients." Has that proven to be a sound strategy over time?

Blair Kellison:

There's been times when it looked pretty crazy. We've had out of stocks sometimes for six months, but what we've done as we've grown we've been able to second and third source things, and we've got teams of people now that are around the world working with growers. So now that we're at scale, those out of stocks happen a lot less. We run into the same issues all the time with the quality not being there, but now we have second and third suppliers.

Simon Mainwaring:

Talking about your supply chain, you've got the suppliers that you look after, but you also do a lot in and around the communities in which those suppliers live. And by your own admission, you're almost a best-kept secret out there in some ways, so people probably don't know a lot about those good works that you're doing in India with the bicycle programs and so on. Why do you do that community impact work, that economic development work, that a lot of people don't see?

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Blair Kellison:

We believe we're going to get the highest quality herbs by investing in the communities that grow our herbs. It could be just as simple as water security, food security. It could be there's no schools. It could be they need dental or medical help. And we're trying to assess the needs of this community and go in and be a good partner to try to improve their community, again so we're buying organic fair trade wage herbs. So we're paying a fair price for it, and we're buying medicinal quality. Then so we're giving them the best money possible for that, and then we want to help them have the best community possible so that they don't leave that community.

Simon Mainwaring:

Let me ask you. This strategy that you've deployed over 45 years on the strength of the founders and the integrity of the company is great, but a lot of younger companies out there that want to be purposeful might say, "We don't have all that time to wait. We don't have 45 years to get there. It's a very competitive marketplace" and so on. Do you find that having that commitment to integrity and quality and so on can rapidly scale a business today in a shorter timeline? Is that possible?

Blair Kellison:

Absolutely. We call our business model our circle of good intent, which means that the decisions we make and the actions that we take are part of the way we do business and so as we grow, those things grow. The difference would be if we didn't do any of that work and then we took 10% of our profits and we gave it to the breast cancer fund or we gave it to the Arbor Foundation. That's a totally different business. We have one of our competitors that does a promotion on a regular basis where if you buy a box of tea they'll plant two trees. Well, that company doesn't have any organic ingredients. What that company should be doing is not having their consumers plant trees, but they should be going out in the world and part of their supply chain should be sourcing organic ingredients so there's less pesticides out there. That's what they can do because consumers are looking for you to do what you can do. I as a consumer, I can invest in the breast cancer fund. I can invest in the Arbor Foundation and plant trees. What I can't do is go out in the world and make an ethical supply chain for your company. You need to be doing that.

Blair Kellison:

We're something called a benefit corporation, a B corporation. That means we're incorporated for our stakeholders, which is everyone from our employees to our growers and our retailers, our employees, and that's our model and that is in our articles of incorporation. And actually, the B corp is such a strong statement that when you change from a C corporation to a B corporation, you have to offer to buy any of your shareholders out their shares because you've changed the whole game on them because they can no longer sue you for not acting in their best interests. We can take all our money one year and give it all to growers in India and a shareholder can't sue us.

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Simon Mainwaring:

I think that's a really powerful point. Brands don't need advertising; they need actions, and that's what consumers want to see. And We First is a B corp as well, and I recommend to anyone listening that they check out being a B corp because it really does, as Blair says, it institutionalizes it within the company. It's not just lip service. It forces you to be accountable to all stakeholders. And what you were really saying before, Blair, is that the education piece is critical. I mean, consumers expect you to do well what only you can do, which is to build a responsible supply chain, to take quality products to market. But then you educated them as to what your products could do, and we're seeing more and more brands do that. We're seeing, for example, Airbnb leading a conversation around universal belonging, or we're seeing the Unilevers of the world talk about sustainable living. I know that you for a long time... Traditional Medicinals has talked about the power of plants. Tell us about that education platform and how that allowed you to drive growth and expand your product portfolio.

Blair Kellison:

Right. First, I'll say what consumers are doing now that's different is they're not just buying what you make, they're buying why you make it. And that's a wonderful thing. They hear all kinds of negative things about the millennial generation, but the greatest thing that the millennial generation has done is creating an interest in where does this stuff come from? Why do you make it? I see what you do and I see it has these features and benefits, but why? Why are you doing, why does your company exist? And then on the power of plants, so our purpose really is we connect people to the power of plants to change lives, to change the lives of the people who are collecting the plants and change the lives of the people who are drinking the efficacious teas that are made with the plants, and that's our whole purpose. That encapsulates all of what Traditional Medicinals is about. And so we're connecting people with their cup of tea and these plants and this curiosity of where does it all come from, we're connecting them right back to the grower in Bulgaria that's going out with sometimes a burlap sack and collecting these herbs in the wild and drying them in a certain way and preserving them at a medicinal quality, and we're connecting those two things together and that's really powerful for consumers.

Blair Kellison:

So people, they like our teas and they like that they work, but they like our environmental story. They like our fair trade story. They like the stories of the collectors. They like the history of the herbs. We have almost two million people follow us on Facebook, and they're interested in all kinds of different things of what we do. We don't ever offer coupons or discounts or buy one tea or get one free. We never even hardly promote our brand. We're just promoting herbalism, and that's attracting people to our brand.

Simon Mainwaring:

You've got a greater social media following than the next 10 tea companies combined. That is a dream scenario for any company out there to have that many followers who are just engaged in how you're going about your business. And the

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great thing about being a purposeful company is that when you've got a really responsible supply chain, everything you do is a story worth telling. How you source that product, how you invest in those local communities in a country where you get your products, as well as what you do inside your culture of your company, and so on. So suddenly your purpose allows you to speak to all aspects of your company as part of your marketing. How does this show up internally? How do you maintain a culture or establish it, not just outright, but maintain it over 45 years, a culture where employees really truly embrace this? I mean, what does that look like?

Blair Kellison:

The challenge that I've had during my time as we've grown from 50 or 60 employees to 250 employees is scaling that culture. So we have a why, which is our purpose we were talking about, and our how is our culture, so how do you go about manifesting that? How do you go about hiring people? How do you go about keeping growing?

Blair Kellison:

We get people that want to be mission driven that want to come work for us. But to be honest, Simon, most companies are not mission driven. Most companies are not purposeful. So as much as we appreciate that they want that and they're interviewing with us because they have an interest in that, they don't really know what that means. We have to really teach them what it means to work at a purposeful company.

Blair Kellison:

And these values are really important. It does not matter how smart you are. I have had to terminate several really intelligent people that were shocked that I could possibly think about terminating them because they were doing such great work at such a high intellect level, but our threat to our culture is that they were too great of a threat to our culture. I think of it like this. So a typical CEO would come into a company and let's imagine that the company is a fish tank and all the employees are fish and we're all swimming in the water, and the water is kind of our culture. What a CEO usually comes in and does is say, "Hey, these 8 fish and these 10 fish aren't swimming very well. Let's get them out. Let's put some new fish in there." In a purpose-driven environment, the CEO comes in and purifies the water and makes it clean and oxygenated through the values. And if you put a filter in the back corner, our filter in the back corner of our fish tank is collaboration and respect and humility, and then everybody's filtering that.

Simon Mainwaring:

Well, let me ask you about that because it's fantastic to have a culture like that and a role of a CEO as you described. It just makes so much sense. Yet at the same time, you're the fastest-growing company in the category and it's easy for your culture to suffer when you grow aggressively. So how do you bring people on board and how do you maintain that culture over time as you accelerate your growth?

Blair Kellison:

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You've just got to keep working at it. The thing that's different about the company today than probably when Drake was running it 20 years ago is it was a group of people that were all in a room together, and everybody kind of was all together. And now you have different locations and you have different people in different regions, and you have larger amounts of people. You have to be more systematic about it. So we have codified our values. We always had values, but about six or seven years ago, we really codified them and put them into a document and explained what they meant. We never had to do that before. The culture starts with leadership. I mean, it starts with me. I terminated somebody on my executive team within the last couple years over culture, and I was sitting at my desk just feeling so distraught about it all. And one of our employees I never talked to, I'm going to get emotional telling the story, just walked up to my desk, just looked at me and said, "You're a great CEO" and left because they saw that that person was tearing down the culture of our company and they saw that I recognized it as a leader and I was willing to let go of one of the highest-level people at the company. That's what it takes. I mean, that's where the rubber meets the road.

Simon Mainwaring:

One of the things that has really set Traditional Medicinals apart is your financial stability. I know you're very, very intentional about maintaining the financial accountability as much as you are around accountability for your purpose, and that's a key reason why you're the fastest-growing company in your category. So explain how you went about that process. It must've been difficult.

Blair Kellison:

Sure. First of all, true sustainability is social, environmental, financial, leadership, and ownership. You have to have sustainability in all those aspects. I think the biggest thing that I probably brought to the company that was new thinking because Drake was a leader in social responsibility and in fair trade, a leader in environmental responsibility with solar power on the factory and moving the whole company to organic. The part that I probably brought was the discipline around financial sustainability. It's a three-legged stool. The three have to work together. If you don't have financial sustainability, eventually the social and environmental responsibility is going to go away. When you're a specialty food and you're doing something really special and you're selling in specialty food stores, it's kind of easy to raise your prices because that consumer will continue to pay more and more for you. But what we did was what I talked about earlier in the podcast. We moved over to the main tea aisle sitting next to Lipton and Bigelow. All of a sudden price really mattered. We couldn't be three times more than them. We could be 40 or 50 or 60% more than that, but we couldn't be 100% more. And so we held our prices at the company. We didn't take a price increase for 10 years at our company.

Simon Mainwaring:

So the profit motive really increased the efficiency of the company. So it's not like profit became less important because of purpose, but rather they went hand in hand.

Blair Kellison:

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Right. But then you think about the finances around the company. We were spending about \$100,000 on what we would call social business 12 years ago, and now it's \$2 million, 20 times larger. Some of that has come from that financial discipline and then some of it has come from growth, but it's all together that makes the whole thing. So the whole thing works synergistically. You've got to have it all.

Simon Mainwaring:

Do you hear back from the consumer? I mean, you've got this price efficiency, you've got this purpose integrity, but when the rubber hits the road, when someone's standing in the shopping aisle and they're going to choose from any number of teas or they're going to order online, what do you hear back from the consumer? What wins the day? Why do they choose you?

Blair Kellison:

This company does the right thing. That's what we hear, that this company is the real deal. It's authentic. These products are high quality. They do things right. They can't even sometimes articulate exactly what they do right, they just hear and see enough that they know that we have integrity, that we're doing the right thing.

Simon Mainwaring:

So where do you begin if you're a company that wants to emulate what you're doing? If you were to talk someone through who is just starting a company or is on their way, where do they start? Do they start upstream with their supply chain? Do they start internally with their culture? How do you get it right?

Blair Kellison:

So I would say it starts with two pieces: (1) The way you treat your employees, the way your culture is; and (2) the way you treat your supply chain. Most of all of the good that we do and most of all of the bad that's done in the world is through supply chains. It's exploiting people that are down the line that you don't ever talk to or know about. What you need to do is you need to show up in your supply chain.

Simon Mainwaring:

It's such a flippant mindset for so many of our listeners, because I think any young company or high-growth company is really focused on survival and profits, especially now with COVID-19. And so they're really looking outwards towards the consumer and leading with their product. But what you're saying is reconsider, stop, take a look at your internal culture and your employees, and look upstream to your supply chain and make sure you take care of what you're making. So what do you say to someone who doesn't have a founder like Traditional Medicinals does in Drake? That they're inside a company that wants to be purposeful and they know the market will reward it, but they don't know where to begin. What would be the advice you give them to win over the board, the leadership, or the entire organization so they embrace it?

Blair Kellison:



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Sure. So every company has a why. It's their purpose. Why were they founded, why do they exist, and every company has a how, which is how they go about working, how they treat each other. Every company, every family, has a culture. This is how we do things. And every company obviously has a what. It's the product and the features. If you're focusing on the what, you're going to really always struggle because everybody can copy everybody else. You have to take that back to the why and the how. If you can get your why into your product and you can get your how into your product, then you're not competing on the features and the price anymore. You're competing on purpose and you're competing on culture, and that's what every company can do.

Simon Mainwaring:

Traditional Medicinals is such an exemplar for those who want to drive growth and have scalable impact. Blair, what is your larger vision for the role of the private sector? What role do you hope the business will play in addressing issues like racial injustice, loss of biodiversity, climate crisis? What is your optimistic vision for the future?

Blair Kellison:

Sure. I think the two greatest issues, anybody who is listening to this podcast, the two greatest issues they'll hear about the rest of their life is climate change and income inequality. I think more than anything else, business has created those two problems and more than anyone else businesses can solve those two problems.

Simon Mainwaring:

Blair, thanks so much for today and for all the insights into the leadership of Traditional Medicinals.

Blair Kellison:

Thank you, and our voice is only as loud as people like you give it. And so thank you for this opportunity for us to tell our story with you.

Simon Mainwaring:

Thanks for joining us on this week's episode of Lead With We, where I spoke to Blair Kellison, the CEO of Traditional Medicinals, who shared with us why impact is all about having the courage to act and why making decisions on what is the best thing for the company for decades, not the next quarter, is critical and why the highest purpose of business is to address the environment and income inequality.

Simon Mainwaring:

You can subscribe to Lead With We on Apple, Google, or Spotify, and please recommend it to your friends and colleagues so they, too, can become a purposeful and profitable business.

Simon Mainwaring:

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