



LEAD WITH WE EPISODE X: 16

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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. I'm your host, Simon Mainwaring, founder and CEO of 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 with Dave Heath, the co-founder and CEO of Bombas, who share with us how you actually, through your business, take on a systemic issue like homelessness and how the simple act of giving someone a pair of socks can absolutely transform their life. David, welcome to the show.

David Heath:

Thank you for having me.

Simon Mainwaring:

David, I've known about Bombas for many years, but we haven't had the chance to meet. Tell me a little bit about Bombas and how the company was started.

David Heath:

Yeah, so Bombas is a direct to consumer apparel brand that's focused on delivering comfort. The business was started when I came across a quote back in 2011 that said that socks are the number one most requested clothing item at homeless shelters. But I didn't immediately feel inspired to create a business. I started carrying socks around with me in my backpack, going to and from work in New York City where every single day you interact with the homeless community. And so I started giving out socks and seeing quite the reaction from the people who were experiencing homelessness and saying things like, "How did you know this is exactly what I needed?" Or, "I need this more than a couple of bucks or a sandwich." I saw one guy take his shoes off and on one foot he had wrapped a bandana around his foot and on the other, he'd literally wrapped his foot in a plastic bag just to stop the boot from rubbing against his feet.

David Heath:

And when your whole mode of transportation is walking everywhere, foot health and hygiene becomes incredibly important. And so this is 2011, I know you'd mentioned to me before we started this, that you had done work with Toms. And so Toms was in their fifth year of business and for those that don't know Toms, they donate a pair of shoes for every pair of

shoes they sell. And then this small little eyewear company had just started at the same time called Warby Parker, which is now obviously a huge company and they had adapted the Toms model for eyewear and so then I was like, well, maybe if this company is donating shoes and this company is donating glasses, maybe I could create a company where we donate socks.

Simon Mainwaring:

You're talking about the give back, the contribution, the service you're making being the growth driver for the company. And you didn't set out to look to do a do good company. You just saw a marketplace need and responded to that. How important was the reaction of those people that you described who were just so appreciative of the socks that you gave them? How did that affect you? And how did that help you commit to actually building a business around it?

David Heath:

If I'm being truthfully honest, I think heading into the endeavor and always thinking about starting a business prior to my experience obviously with Bombas, I think like most entrepreneurs, I was blindly focused on trying to make as much money as possible and I thought that that was everything. This business in a weird way, showed me that the true gift in life and the true purpose in life is to give back. And this is the advice that I give to every single entrepreneur who wants to start an impact business or add an impact element to their business, which is you have to get close to it. You have to personally go and experience it in some form or fashion. As I mentioned, living in New York City, the homeless population, you can't avoid it, it's part of the fabric of the city.

David Heath:

I remember this one guy who was in a car accident with his entire family and he was the sole survivor, two kids and a wife and they both died and he became incredibly depressed as a result, as most people I think would and then he became addicted to alcohol and drugs, it was a downward spiral from this cataclysmic moment that would derail I think even the strongest people in our lives. And then you hear stories of partners who became homeless because they were caregiving for a loved one because they didn't have the correct health insurance so they stayed at home to take care of their wife or their husband and then they lost their job as a result and again, it kind of spirals out of the way.

David Heath:

And so I have so many of these experiences that continue to be a large motivating driver for me. And so that's the advice I give back. And one of the reasons that actually on your first day of employment at Bombas, you're given 10 pairs of donation socks and you're required within your first two weeks of work to hand one pair out individually to homeless people that you might encounter either in your neighborhood or to and from work, to start to give them those personalized experiences as well, right at the beginning of their work so they can start to feel motivated and personally connected to the mission as well.

Simon Mainwaring:

It's so powerful, what you're saying. How did you go from just idea or concept to actually starting to execute? Did people suddenly materialize who wanted to help you and funding just fell out of the sky? Or was it hard? How did you get there?

David Heath:

Yeah, it was hard. I had this idea back in 2011 and then I started to put my business cap on and I said, "Okay, if the outcome of our thesis is to donate a lot of socks, that means we need to sell a lot of socks. And if we're going to sell a lot of socks, we need to create something that, in my opinion was our goal was create the most comfortable socks in the history of feet." And so I went out and started to do kind of business school level research and I looked at all the products that were on the marketplace and I tried to understand what separated a dollar pair of socks from a \$36 pair of socks. And so I saw this huge gap in the marketplace between your kind of low cost, low quality, bulk mass market, consumer products, buy a 12 pack of Hanes socks in a bag for 10 bucks at Costco.

David Heath:

And then there was this whole subset of category of product that was highly focused and endemic focused on very niche categories like running and cycling and hiking and basketball. And I started to look at these high performance category and I started to pull out features and benefits that I had never actually seen before, like a seamless toe or arch support or a cushioned foot bed or ventilation over the toes, or stay put cuffs and all of the high quality fabrics that wick moisture regulate temperature. And I started to wear those products just to see what separated an expensive sock from a cheaper of socks. I found that these features and benefits just translated into a much more comfortable pair of socks to even wear casually throughout the day.

Simon Mainwaring:

You had a focus group of two, your two feet at the end of your legs. That's low cost market research about ever.

David Heath:

Super, super low cost. But I started to experience that, wow, this make my feet feel better, but they were designed and they looked like athletic socks, highly focused and technical. And so I said, "Well, I wear sneakers and jeans to work every day. I want something that looks more casual." I kind of took all these features and benefits and I leveraged a design that I thought was much more approachable. It was like kind of a mix between modern and vintage. And yeah, I came up with what was originally the Bombas sock.

Simon Mainwaring:

How long did it take you to get traction? How long before you started to think this was a go? And what were those early signals that you got?

David Heath:

Yeah, so from the moment that I came up with the idea, which again was February 2011, we didn't actually launch anything publicly facing about the brand or the idea until August of 2013. The better part of almost two and a half years and I worked full-time because I needed to support myself and I put up the first \$18,000 to kind of get the ball rolling and try to build out an MVP. During the whole entire product development process I was like, I want to focus on getting the product right. I want to focus on getting the brand right, the story, the mission. I got to understand how do we donate socks? I got to figure out all these logistics and when you're a one person show in the early days, the only time you have to work on is from 6:00 PM till midnight every night and then on the weekends, it takes time. You kind of just have to grind it out.

Simon Mainwaring:

And it's great that you've had this momentum behind you from the socks you were handing out in your backpack in New York City to 40 million socks in a year. It's incredible. But how did you get there? This distribution channels and the production and so on, did you raise external capital? Did you bootstrap it all the way through? How do you go from this really heart led intent to going to scale?

David Heath:

I think I benefited from the moment in time in which we started this company. Because there were a number of direct to consumer brands that had all come from before us. A lot of marketplaces, things like Gilt and fab.com and Birchbox and some of these other, that have really innovative concepts. What I'd seen is that a lot of these brands had raised tremendous amounts of capital and they all had these crazy valuations. And in a lot of cases, some of those companies, which I had just said, had already at that time flamed out. Fab.com obviously went bankrupt, Gilt Group sold for a fraction of what their latest valuation was. And so again, putting kind of the business school hat on, I set out to say, "You know what? A, before I raise a single dollar of capital, I want to go out and prove market validation and I want to kind of bootstrap this thing as far as possible."

David Heath:

I launched an Indiegogo campaign and within the first 24 hours, we'd done over \$30,000 in sales. And then within the first 30 days of our campaign, we'd done \$150,000 of sales. We took a lot of that capital, placed our first production run, used some of the money to build a website and then 30 days later, we launched our website in the beginning of October of 2013. And then my next hypothesis was okay, once I get these products on everyone's feet, are they going to love it enough to come back? And are they going to love it enough to tell their friends about it without us having to raise money for marketing? And then we did another \$300,000 in sales in the next coming months. And so by the end of the year, we had about 400,000 in sales. And I said, "Wow, this is something. I at least feel like we're off to a good start."

David Heath:

And then I went out and raised a million dollars of seed financing, all from private investors. I didn't want any venture capital funding in the business because eventually I wanted to be focused on profitability, which in the venture world is a bad word, based on the way all these crazy companies have raised money, because again, the venture firms want to mark up their books and if they can give you more funding and are higher valuation, then that allows them to go raise more capital. But, I'm not going to get into that.

Simon Mainwaring:

And that's a whole wormhole. This is all incredibly valuable, real world kind of experience you got. And what was the silver bullet for you? Is it the fact that when you buy a pair of socks, another is given to someone in need, a homeless person? Or is it, the comfort, the superior sock that you built? Or was it both? And would you say if you're going to lead an impact company, you need to throttle on both of them?

David Heath:

We've always talked about this from day one, it's called the two pillars of our company is a high quality product and a great mission. And I don't think one for us, at least in Bombas could live without the other, because obviously the mission is the DNA for why we started this company in the first place. But the driver for a lot of our success, I tell all impact

entrepreneurs that I don't believe personally, that you can build a successful brand or company on just a mission alone. Because at that point it starts to become charity because if the consumer is buying a product from you that they don't actually like, the likelihood of them coming back to buy more, unless they are so passionate about the mission, at which point, maybe they would just donate money to that cause rather than get more bad product. You have to anchor, like any good business, you have to have a good product.

Simon Mainwaring:

A lot of young social entrepreneurs want to build businesses that are going to give back yet that doesn't give you a pass on all the fundamentals of being an entrepreneur. You've got to take a quality or superior product to market. And only when you have that product, can that give back be kind of something that takes people over the edge. Did you find that the back was kind of an add on and therefore it was kind of less important in the equation than the sock? Or did you find it was the driving force in the balance between the two?

David Heath:

Yeah. It's interesting, whenever we from day one, when we've surveyed our customers, the quality of the product and the give back mission we're always number one and number two and depending on what marketing messages we were either putting out in our acquisition channels or what we were talking about at any given time from a campaign perspective, through our emails, we would see those two things shift. When we're talking about our million pairs donated or our 10 million pairs donated or this year, our 40 million pair donated, whenever we push campaigns like that, we see a large obvious response for people who were attracted to the company because of the mission and then were reinforced because of the great product. But if we also have a new product that we release, like we released our performance line last year and we did a lot of push around, now Bombas is in performance, we saw a lot of people coming back to basically say the reason that they bought was because of the product and then it was reinforced because of the mission.

Simon Mainwaring:

This is one of the biggest questions we find in a lot of the work that we do, we get this question from entrepreneurs saying, "Okay, do we lead with our purpose in our marketing? Is it about the one for one model? Or is it about the give back and then point back to our product? Or do we lead with our product and then sort of underscore the fact that it was informed by this purpose?" What would you suggest? Or is it a different emphasis at different times?

David Heath:

Yeah. It's different emphasis at different times. I think, when we look at our brand strategy and then our marketing strategy and then our creative strategy, we're trying to figure out what feels right at the moment. I'll give you a really good example of this. When COVID first hit, as I'm sure like all of us, we're still on these email list serves and in the first few weeks of COVID, we're all running around going, where am I going to get toilet paper? Is it safe to go outside? I can't find hand sanitizer. And yet companies are trying to still act like things are normal and you're getting emails about check out our new spring styles and things that are like get outside and stay active. And you're like, that is wildly tone deaf. It's like, what are they thinking?

David Heath:

And so, because we had our mission to fall back on and because we were kind of built for a moment like this. We've got this team dedicated to our giving partners. They manage all 3,500 relationships that we have across the country and we've built out this distribution network to obviously get socks and other items that we produce out to these shelters. And so when the pandemic first hit, we had cleaning companies like Cleancult and we had bed linen companies like Brooklinen, reach out to us and say, "Hey, we know that cleaning supplies and bed linens are in high demand at homeless shelters, but we have no idea on how to get them to the right organizations." We stepped in and did that. And then instead of sending an email about, "Hey, check out our new spring styles," we were able to send an email to say, "Hey, here's how we're reacting when COVID first hit."

Simon Mainwaring:

What you're saying is really interesting. Your distribution channels from your impact work became this whole platform for other companies now trying to make a difference when it was needed most.

David Heath:

Yeah. And then we were able to talk about it, which we saw some of the highest open rates and engagement from those emails, because again, they were cutting through the noise. They were something that felt fresh and relevant in a really, really crazy and uncertain time. It was night. I think people were happy to see that brands were out there doing good rather than asking them to buy product. And so that's a great moment where we shifted the balance of the conversation and focused almost entirely on giving and nothing on product. And again, I think we try to find this push and pull balance throughout the year, depending on what kind of culturally is relevant or seasonally what is relevant at that time.

Simon Mainwaring:

I want to ask you a question that I don't know it's ever been posed to you, but you're so deeply passionate about the homelessness problem that you created a company around it and you're solving for one of the most personal and immediate needs they have, which is socks. Is there any sense in which you're not solving for the larger problem itself because homelessness persists and obviously there's so many factors that go into it. But could it be argued that giving people a pair of socks is like putting a bandaid on a much larger problem? And how do you solve for that larger problem?

David Heath:

With our giving team, it does go beyond donating socks. Collectively last year, I think as a team, we donated over 10,000 hours of volunteer hours personally, as an organization. It does go beyond simply donating socks. But what I will say is there's also been a lot of opportunities or stories that we've heard where, and again, at the beginning I was like, look, we're just trying to provide a little bit of comfort and a little bit of dignity in somebody's day, we're not curing cancer, we're not solving homelessness from a root problem. But we heard from one of our giving partners last year based in North Carolina and they said, "In the four years that we've given them socks, they were able to send two kids from their community to college." And then we hear stories like people showing up to homeless shelters because they hear that they're giving out really good socks and a lot of times now they're asking for Bombas by name and that interaction helped them start to get the help that they needed by the organization that was then providing it and they have then since turned their life around.

Simon Mainwaring:

That's such, just the idea that they would ask for your brand by name is a pretty powerful testament to what you're doing. It's incredible.

David Heath:

Totally. And this is actually when we started to talk about, okay, we've donated a million, then 5 million, then 10 million, and now we're donating 50 million pairs of socks. The number is becoming so large, obviously we're having a great impact, but now that we're a bigger organization, what can we do more so to have greater impact? And we had talked about, getting involved in policy and opening up our own homeless shelters, or starting to think through big, big ideas. And once I started to realize that actually the homeless community are non-paying customers, as we refer that to them, are starting to identify Bombas by name, I realize that actually what we're setting out to do is creating the first ever consumer brand for the homeless community.

David Heath:

But I do see that if we ever get to a point where we are a multi-billion dollar brand, like a Lululemon or Nike, or whatever, brands that we aspire to be like and we're generating hundreds of millions of dollars every year, then I then hope at that point, we will be able to have enough of a cash flow that we could start to support initiatives that go way beyond just the core initiatives that we do internally.

Simon Mainwaring:

How do you grow? You mentioned you've got, the focus was socks. You talked about high performance socks. Now, there's basics and there's certain staples in terms of apparel. But as you look to the future on the strength of the success you've had, how do you keep growing? How do you keep kind of scaling your impact by building the business? What's the vision as you look forward?

David Heath:

Yeah. Again, it kind of comes back to the mission as well as what I think makes the most sense from a market opportunity. We're a socks brand. We started as a socks brand. Last year, we launched incredibly comfortable, soft Pima cotton t-shirts. We describe it as the first shirt that you want to wear out of the wash. It's incredibly crisp and cool. It can be dressed up, it could be dressed down. Shortly coming, we're going to be launching underwear, which I don't think is a huge surprise to a lot of people. And then we're going to stay super focused on socks season underwear. It goes super deep into those categories. Again, take a lesson out of our own playbook, which was, we stayed on socks for six years, we built a multi hundred million dollar business on socks alone.

David Heath:

And I think because we were so laser focused, yeah, we went deep into new categories and new opportunities, but it made a lot of sense for us. I think if we came out with pillows and blankets and stuff like that, yeah, we're a comfort brand so could that make sense? Yes. But let's keep the story super narrowed. And underwear's the second most requested clothing item in homeless shelters. T-shirts are the third most requested clothing. You look at things that are close to the body. I think for the next five years, we've got a very, very clear roadmap.

David Heath:

But look, being rooted in comfort and being a brand that gives back to the homeless community and trying to make an impact in this world, I think our options for the longterm are absolutely endless. You could see Bombas athletic wear, you could see Bombas casual wear. There's so many ways in which we could take this brand, but for the near term future, I think we're laser focused on being the number one comfort basic brand that you go to replacing your whole top drawer. That's the area that we want to own in your house right now.

Simon Mainwaring:

And what would you say your secret sauce is? Sometimes companies that want to have an impact, sometimes it's a charismatic founder. Sometimes it's a certain moment in time. Sometimes it's getting on Oprah. Sometimes... Who knows? What would you say is the sort of thing that has driven your success? Is it hard work? Is it just answering a need when no one else was touching it? What would you say it is?

David Heath:

I would love to think it's because I'm a charismatic founder, but no, I think actually I think it's because I'm an empathetic founder. I care deeply about other people, whether that's the homeless community or our employees. We are constantly ranked as one of the best places to work. In seven years, we've only had seven people leave the company and I thrive on making other people happy. That I think is probably my secret sauce, is I'm a big believer of Simon Sinek's leaders eat last. There was a lot of opportunities where I forego opportunities to raise my own salary if that meant I could give an incremental pay raise to another employee who I thought was working incredibly hard or if it meant that I could hire a new person to expand the business.

David Heath:

And I've always said that, in times like coronavirus that before I would lay off a single employee, I would give up a 100% of my salary. Why should somebody else suffer if I'm the leader of the organization? That's been probably a big part of my personal secret sauce is it's just a high degree of empathy and remembering that whether somebody in the homeless community or whether it's an employee or whether it's a customer, and we have a 100% customer happiness guaranteed. If you said you didn't like the color of the packaging, we'd replace your socks or give you a full refund. I just want to make other people happy and that I think has been a very large driver for us.

Simon Mainwaring:

Well Dave, thank you so much for sharing how you can build a really successful business and generate really meaningful impact.

David Heath:

Thank you for having me.

Simon Mainwaring:

Thanks for joining us on this week's episode of Lead With We, where I spoke with Dave Heath, the co-founder and CEO of Bombas, who shared with us exactly how you can build a high growth company by addressing a systemic issue like homelessness and how like Toms and Warby Parker before them, the depth of your commitment to your mission can build a cult following for your brand. So much so that you can cut through the clutter and noise of other purposeful companies talking about the good work they're doing.

Simon Mainwaring:

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