



Season 3, Episode 8, “Supply Chain Crash Course,” Jan. 10, 2023

Jimmy Sansone: We sort of made a huge 180 midseason and had to go source our own direct factories, or we wouldn't have had a collection. We wouldn't have had anything to sell. It was kind of do-or-die. The company was at stake.

Kurt Greenbaum: From Olin Business School at Washington University in St. Louis, I'm Kurt Greenbaum, and this is *On Principle*. While working on today's episode, it occurred to me that the middleman—that person we're always called on to cut out of the process—may be among the most maligned individuals in popular culture. In fact, Benjamin Disraeli, the 19th-century British prime minister, said the middleman bamboozles one party and plunders the other. But our guest on today's episode of *On Principle* knows how important a good middleman can be. It's a lesson he learned when he was forced to take a crash course in creating a brand-new supply chain—with the fate of his young clothing company on the line.

Jimmy Sansone: I'm Jimmy Sansone, one of the brothers and co-owners of The Normal Brand, an apparel company based in St. Louis. We sell throughout the country.

Kurt Greenbaum: And how long has The Normal Brand been around?

Jimmy Sansone: About seven years. I was just in my parents' basement, built the site on Squarespace, which was like a new kind of thing at the time, and then learned that it didn't really have a great shopping component, which was ... seemed to be pretty important. And so, scrapped that, rebuilt it on Shopify, launched a site at like 11:30 p.m. or something on March 9. And I think our first hat was sold like right after midnight, March 10, 2015, to a girl named Emma. I remember running upstairs, my dad was in the kitchen, and I said, "Hey, we just sold our first hat!" And we were off from there.

Kurt Greenbaum: Why The Normal Brand? What's behind that?

Jimmy Sansone: That came from a personal need. So, I was looking for a normal shirt and, as kind of like Midwest cities know, you're kind of 20 minutes from anywhere. So we spent a lot of time growing up, both in the city and the country. And so, I wanted something that I could wear both places. So, normal is really the idea that you get it, you understand it, it makes sense to you. All the stuff I was seeing seemed like pretty siloed. And so I just wanted something I could wear from the city to the country that was super-comfortable, durable and versatile. And I couldn't find anything that I thought was at a fair price point. So I said, where are any normal shirts? So we just started making them.

Kurt Greenbaum: What was your path to this job? To running up an apparel brand? How did you get from there to here?

Jimmy Sansone: The origin of the start of the company starts within our family. Both my parents have their own businesses. My grandparents had their own businesses. So we're always sort of encouraged to think outside the box. We started our first business for my brothers when I was like 12 years old, just running summer camps. Followed that up with I'd seal driveways. In WashU, I would sell poinsettias, the Christmas flowers, right around like Thanksgiving through exams. Coupled that with a real love for clothes. My dad always wearing suits and my grandpa wearing suits, and they had a tailor, and they would get custom jackets and pants.

From the time I remember my first communion, I wanted a pair of white bucks instead of like the brown loafers everybody wore. For my 16th birthday. I wanted a custom-made suit instead of a car or anything like that, where I could pick the button colors, the ticket pockets, the lapels, whether it was side vent or single vent, the pleats on the pants—like, the whole thing. I was just kind of really obsessed with the details of clothes, and I never considered going into the fashion business ever, even once. It wasn't until post-college that love for an entrepreneurial path and love of clothes kind of came together.

Kurt Greenbaum: Now, if we back up just a little, Jimmy described his career path like this. Basically, The Normal Brand came about because other options started getting ripped away. First, he started working in investment banking and, as he put it, failed miserably. He looked into starting a shoe company with his brothers, and that didn't go anywhere. Eventually, Jimmy's path forward required a change of mindset, and about three years without earning any money. Why did you go into investment banking in the first place, if you sort of had this bias toward entrepreneurship growing up as a kid and all of that?

Jimmy Sansone: I mean, it was safer, and it was a fantastic job. I worked with great people, and I was working within real estate, which is a business that I grew up around. So I think I just probably thought that I was going to go into real estate in some capacity, and that this was a good first step.

Kurt Greenbaum: I just can't imagine getting involved in this industry. I mean, getting involved in an industry as complicated and with as many moving parts as the apparel industry. How do you even begin to tackle the pieces of the puzzle together in this sort of industry?

Jimmy Sansone: Yeah, I think those three years of making no money and having no job and having these different ideas and talking to all these people and none of them were as ... Normal Brand ... it was the one that I'd been thinking of since college. I was always told about how competitive this is or competitive that is, and that's so hard to do. And I don't know if you could do that. That's tough. I mean, no

matter what the industry was. So at some point, I think you just have to decide, are you going to do it or not? And if you decide to do it, you kind of adopt that "burn the boats" mentality. And then you just try to figure out one thing a day. So if you start with this insane list of all the things you have to do in this huge puzzle, or if you try to be Polo Ralph Lauren in one day, that's way too overwhelming. I think the way that we did it then and we do it now is you've got your list and you try to attack one or two things a day, and you just try to make progress. But the trick is to be consistent in continuing to push it along. So you just figure out one thing a day and go from there.

Kurt Greenbaum: What is one problem that you can remember tackling very early on?

Jimmy Sansone: Yeah, I didn't know how to go about making a product. I had ideas for what I wanted this product to be like, but I had no exposure or any experience or really anybody I knew with any experience in making something.

Kurt Greenbaum: So what do you do? What's ... what's step ... step one there?

Jimmy Sansone: You start talking to as many people as you can. You use Google a lot. And I guess the main thing is you just start taking action. You can't learn anything by not doing. And so if you just think about it, you're just not learning enough. So we just started doing. So I was in L.A. a lot. I was talking to people who produce overseas, etc. I tried to get some stuff made in L.A., and I couldn't get it done. I just couldn't get it worked out. So ended up joining a relationship with basically a—like, a middleman—like a ... like a sourcing agent, where they had the relationships with factories and things like that, and they could help us produce what we wanted to produce.

Kurt Greenbaum: In our earlier conversation before we sat down in front of a mic, you talked about a concept called a tech pack. Can you tell me what that was, and why that was an important component to the story?

Jimmy Sansone: Yeah, a tech pack is basically a blueprint on how to build your product. No matter what product it is, it has a tech pack. And the idea for a tech pack is you can give it to any factory, anywhere, and they'll know how to build your product. The specs of the garment, the fabric, the wash instructions, the trims, the labels, the dying methods, the colors, how it's packed. So they really give the "how to build this" to the factory that's going to do the work.

Kurt Greenbaum: And so, who would normally put that together? Is that something that you had to, to put together?

Jimmy Sansone: Well, it depends on how you, uh, on what your supply chain is like. At the beginning, we didn't have anybody who could do that. We depended on a middleman to produce these tech packs for us and provide them to the factory and

source the factory and make sure the factory understood the tech pack. And for that, obviously, you pay a premium. That's the way we did it at the beginning.

Kurt Greenbaum: That is not how it ended up, though. Can you talk about that?

Jimmy Sansone: Because we really had no experience in this. It was just kind of learning day by day and figuring out what the right method was for us. So, at the beginning and using this middleman where they source the factories, the fabrics, produced the tech packs, transported it from the country—we were producing a lot in India—to our 3PL in St. Louis, so that we had very little transparency into the factories themselves, and how this stuff was going was working. That relationship lasted for about a year. Then it proved to be not a sustainable relationship for us. We sort of made a huge 180 mid-season and had to go source our own direct factories. I was in China and India for a few weeks and basically had to come out of there with our own factories, or we wouldn't have had a collection. We wouldn't have had anything to sell.

Kurt Greenbaum: Can you describe what you were feeling as you realized we might not have a ... a season?

Jimmy Sansone: Panic. It was kind of do or die. The company was at stake. We knew that we needed more transparency into everything from the entire process for us to really stamp our own DNA and be able to stand by our product. Everything from the sourcing to the cut-and-sew, to the packing, to the shipping to just the overall quality of it. It was inevitable that we were going to move past that original supply chain setup to something where we could have more control, where we just needed to own the process from beginning to end. It was a very uncomfortable situation and kind of networking within the industry, but it was kind of all relative. And so we were able to network and meet some factories who would at least have a meeting with us. And a few of us jumped on a plane and headed over there with the goal of leaving with handshakes and factory relationships.

Kurt Greenbaum: So Jimmy casually mentions jumping on a plane and heading over there. And in this scenario, “over there” means China and India—places he'd never visited before. It's the Wednesday before Thanksgiving in 2016, and if he can't get those handshakes, The Normal Brand is done for. They needed quality factories that did things the way he wanted them done. Creating those relationships couldn't happen over the phone. He had to be in front of people. And remember, The Normal Brand is very young. It's small potatoes. He's got to convince suppliers that these unknown brothers from St. Louis could be worthy partners, and he had to think about every facet of his operation—from the moment fabric is cut to the moment a shirt gets shipped to a customer. As you might imagine, Jimmy has no memory at all of Thanksgiving Day in 2016. You didn't have any visibility into your supply chain at that point. How do you go from zero to relationships in time to make this work?

Jimmy Sansone: Starting a business in any industry, you have to convince partners, vendors, customers, any service provider, really, that, that they want to work with you because you have this potential to grow, and this is what you're going to do, and this is your vision, and this is your plan. And those factories made a great decision because we were able to, when we we were small with them in the beginning, but then, we became very big customers for them.

Kurt Greenbaum: All right. So it's just a few weeks that you're identifying potential factories, making deals, basically. Can you do this for me here? What would you charge? Is that pretty much how it worked?

Jimmy Sansone: You know, we had to learn how to do the things that we weren't doing that an agent was doing. We had to learn how to do those things on our own. We had to hire, and we had to bring people on. And and we did that all in a ... in a short time.

Kurt Greenbaum: So talk a little bit about that. What steps did you take to build that supply chain visibility?

Jimmy Sansone: It's everything from color direction at the very beginning of a season, SKU development—what, what styles we plan on selling. Trim direction. I mean every trim on your shirt right there, from the buttons to how the seams are filled to if you open it up, to the tags on your center back or your bottom right hem, all of those things have to be picked out. You know, for us, we want the attention to detail is, is a value prop that we try to deliver on. And, you know, we worry about those details. So those need to be branded, which means custom. And so, that the fabric is a huge thing. We pride ourselves in offering extreme value, and value for us is comfort and durability. So the fabric is the first thing that we really put a lot of focus on. It's working with the vendors who can do high-quality cut-and-sew and assist in the sourcing. And so it was finding vendors who could do that. It's us organizing it all and making sure that this is something that can be executed on in a high-detail manner.

And then, I mean, going past that, after you build the product that you want to build, it's getting it out of there. So we had to learn about shipping and customs and duties and boats and ports and trains, and there's a lot that goes into delivering that shirt on your back from concept to delivery. They're all incentivized for your business to grow, so they want you to have a good-quality product—if you're working with the right vendor. Finding that is really the toughest thing. And then, once you find high-quality people that you want to work with, you can kind of get through the bumps and bruises that'll happen along the way.

Lingxiu Dong: It is an extraordinary supply chain story. They directly went to the factory and worked with factories for a couple of years. And that is a tremendous learning experience for them, and for them to really see the challenges, the complexities of their apparel supply chain. By working with their cut-and-sew

factories and really gain a knowledge about the supply chain. And I think also very importantly is they developed appreciation of the complexity.

Kurt Greenbaum: That's the voice of my colleague from WashU Olin Business School, Lingxiu Dong. She's the Frahm Family Chair of Supply Chain, Operations and Technology for the school. And to be honest, I just knew this story would be catnip for her. Whenever I hear her speak, I learn something fascinating about how supply chains work, which shouldn't be a surprise. Her published research has been cited hundreds of times, in fact, nearly 400 times just this year alone.

Lingxiu Dong: Operations is mainly about how values are created, process getting managed in an organization. That kind of a message is the message we usually give to business leaders, managers, that you do not have this one-size-fits-all kind of a solution. You really need to look at the environment that you are in, the type of products, processes and partners you work with and have more kind of a precise approach to improve your efficiency, to improve your resiliency, to improve your responsiveness.

Kurt Greenbaum: So, two different distribution centers could both be affected by a tornado, for example. And that could be a cause for ... you'd have to have resilience in order to accommodate that in some way. But if you're producing microchips and I'm producing, you know, women's shirts, then we have different issues that we have to deal with. We have to approach that situation differently because of, perhaps, I might have more flexibility. I'm just looking for somebody else who can cut and sew shirts. But you have a very much more challenging situation to deal with.

Lingxiu Dong: That's exactly right. Yes. The devil is always in the detail, the ideas. Sometimes the ideas are really simple. But when you get to the specific context to look at the complexity you are in, and it is not exactly clear immediately, you know, what kind of flexibility or what kind of adjustments that you need to make. So the idea is simple, but the execution of that takes a lot of analysis and takes a lot of discussion and working with partners to see whether something that we think works for us might not work for your partner. So it's always the execution part, is the challenging part.

Kurt Greenbaum: I think as consumers, we are becoming more familiar with the idea of supply chains then perhaps we might have been a few years ago. At the beginning of the pandemic, when toilet paper was in the news all the time, and we started to realize, "Oh, this is what a supply chain is. We can't get toilet paper because of these disruptions in the supply chain." And ... and right now, as you and I are talking, we're dealing with a very precarious situation for mothers who are afraid of their ability to get baby formula. Again, another supply chain disruption. Are you sort of finding that this topic is becoming more common consumer mentality?

Lingxiu Dong: My personal experience was that a couple of years ago when I went to parties, talked to friends, I always, you know, spent some time trying to explain

what I do at work, what I teach, what I do research. Now it's not a problem at all. The three words supply chain management, they immediately get it, and ... and they get very interested in what I do. And even I got students from middle schools, middle school students asked me to give them kind of a lecture, you know, what supply chain is about, what kind of challenges we face if, let's say, cargos cannot be shipped out of a port or unloaded at a port. So even middle school students and probably elementary school students become very aware of supply chain management.

Kurt Greenbaum: What you've just said is that people are getting, whether they like it or not, a greater appreciation for the fragility of supply chains, not just what they are. And I guess I'm wondering, why is it the case that supply chains tend to be so fragile?

Lingxiu Dong: So the simple answer to that is that there are a lot of moving parts. The process involved in producing products and the type of coordination you should have, you need to have with your suppliers, with your customers. And that type of coordination they need to have with their suppliers and their customers are just very complex. You know, if you think about a pencil, how simple that product is, you have some wood, you have some graphite, you have some metal, and then an eraser. So very simple product.

But if you think about the processes involved in making a simple product like pencil: woods have to be cut from the forest, and the graphite has to be mined from a mine. And then the making of lacquer, the metal and the erasers, and each of these simple components has its own supply chain logistics. A simple product like that, if you think about the full scale of supply chain, it can be really complicated. And now you think about cars and computers and all these more complex products. Even if just one part of the supply chain, one stage of the supply chain goes wrong, the entire supply chain can be disrupted. Supply chain is only as strong as its weakest link. So any link that breaks down, and if we do not address that disruption, then it can have severe consequences.

Kurt Greenbaum: After hanging around with people like you and hearing you talk from time to time, I've come to understand that supply chain transparency is kind of a, a chronic problem for firms. I think we see that come into play in Jimmy Sansone's story. But why is that? Why is transparency such a big and chronic concern?

Lingxiu Dong: So when we say supply chain transparency, whether you have transparency or not, we mean whether you have visibility into your supply chain process beyond your immediate supplier, beyond your customers. Usually you have some visibility in how your suppliers work, how your customers use your products, but it's very hard to see beyond your immediate supply chain partners. One big reason is these are protected proprietary information. People, your suppliers, your customers might be worrying about the information that they shared with you about their suppliers or their customers might be exploited.

For example, those information might be used in the next round of price negotiation. They might be bypassed by you. So these are proprietary information, kind of trade secrets. So that is one reason. And the other reason is there's a need for efficient way of communicating. Is technology ready to help facilitate that information transmission from multiple tiers away from you and to you? So I think there's technology availability issue. And there is I think more importantly, whether incentives are aligned to share that information.

Kurt Greenbaum: So the transparency comes down to, the deeper you go into your supply chain, the less visibility you might have. And part of that is because your suppliers may not want you to have the opportunity to end-run them.

Lingxiu Dong: Right, or that you might get cost information. So information is power, right? Information can be used a smart, in a smart way to create value. But then the question is, who captured that value, right? Who pays the price? Who captures the value?

Kurt Greenbaum: This really is the crux of Jimmy's story, and it's the reason I thought Ling would find his story so compelling. It's about the idea that Jimmy suddenly realized how important visibility into his supply chain had become, and it required him to climb a tremendous learning curve to navigate the challenges and complexities of that supply chain.

Lingxiu Dong: This knowledge appreciation, basically, I think, helped them down the road when they looked for the next third-party outsourcing agent. And another benefit from this learning experience is they develop appreciation for collaboration. So the supply chain is never a zero-sum game—that I tried to squeeze the costs from the manufacturer, from the factory, so that I can have a better margin. And the factories realize that by helping you, the brand, they can grow together with you. So it's going to be a pie that you have the opportunities to improve, to increase. So that pie is going to be bigger when you're working together. Then both parties can win. Working directly with factories is a lot of challenge, but they survived and thrived. That is great. That is surprise. But it's a I'm glad it's a success story.

Kurt Greenbaum: Well talk about that. Why was that a surprise to you? Why did that stand out?

Lingxiu Dong: So I think there are a few challenges when you are small-, medium-size brand. First of all, you do not have a lot of manpower to directly work with the messy supply chain part. You need to identify high-quality, low-cost suppliers. That's a lot of work. And also working with the details, the details of designing and checking the quality and making sure the logistics is just a lot of work. The small- medium-size brands, they usually focus on the front-end customer-facing part, you know, of the value adding. For them to reach out to their backend supply chain. It is just a lot of work. In some cases, you might not be lucky to find a high-quality supplier and

spending a lot of time trying to find the suppliers that will work with you, are willing to work with you, and can maintain that successful relationship. If you're large brands, then you have a lot of volume, you have a lot of influence and negotiation power and dictating in the way how suppliers should work with you. When you are small size, you will have to rely on a good partner to work with you, understand your needs and are willing to grow together with you to help you grow.

Kurt Greenbaum: Obviously we're both happy that it turned out well for them. And that was an observation that you were making. But it also sounds like you wouldn't recommend this approach by other firms. Is that ... is that fair?

Lingxiu Dong: Well, I think this is a, you know, I'm going to go back to what I said at the beginning. There's no one-size-fits-all kind of approach. It really depends on the type of products you sell, you produce, and the product portfolio you're managing and the supply chain process that delivers those products.

Kurt Greenbaum: On one hand, Ling told me, you might have a fairly stable product, like that pencil we talked about earlier. We pretty much know how to make a pencil, so the manufacturer can work with stable suppliers and build deep, long-lasting relationships. On the other hand, a brand with a more diverse portfolio, a brand that's growing and constantly innovating, well, that's going to make the job of managing those supply chain relationships much tougher.

Lingxiu Dong: If you have kind of a diverse product portfolio, then when you are growing, it's time-consuming to build, to develop that supply chain. So in that case, you may be better off working with a good sourcing agent to help you source those products. So I think it depends on the product portfolio you are delivering, the stage you are at. Then you might not have the energy and time and resource to develop your own supply chain one after another. You rely on your supply chain to help you deliver your value. You cannot be the ... just the winner by yourself.

Kurt Greenbaum: Is there some way you can characterize the trajectory of the company since, from 2016 to today?

Jimmy Sansone: You know, I think that we've been fortunate to experience a lot of growth. You know, we're excited about the future. And it's not something that we go into like a lot of detail about. But you'll see more of our stores are going to be popping up around the country. If we can continue to deliver and hopefully elevate this product that we're making and take as much pride in it now and everything that we're doing from marketing to operations to product, we're excited about the future.

Kurt Greenbaum: How long did you all, I'll say, sort of, go it alone, once you had to move on from the third-party back in 2016 and sort of create your own supply chain.

Jimmy Sansone: We were direct-to-factory for a few years, and it was great for us because it was really baptism by fire. So was learning all of these processes, and it

was developing our own calendar, and it was having great transparency into how the product was made. But more than not now, it's that actually we use these agents. For us, yeah, it gives that total transparency into what we're making so that we can guarantee, and we stand by the quality of our goods, and vet the factories, and make sure they're run by good people. We still know them, we meet them, we have dinner with them, etc. But it also gives us more flexibility because we own the fabric now. In the past, we could get jumped in line at a factory and get delayed a few months. If that happens now, we'll take our fabric, and we'll move to a different factory. Now, that hasn't happened because we've been able to grow, and we have bigger orders and stuff like that. It gives you a better sense of leverage and freedom.

Kurt Greenbaum: How does that inform what you do going forward? How did that inform you selecting a sourcing agent and moving forward from there?

Jimmy Sansone: Well, it opens your eyes to ... it just gives you the real-world experience of how this stuff happens. It's for everything. It's, it's if something's being over-promised, then you can kind of sniff that out. If something is being under-delivered, you know that as well. So it was really, I mean, the best way I can put it was just baptism by fire, and it was kind of learning this industry and then knowing what it is that we thought we were good at, and we want to continue, and then the stuff that we thought we needed help with. So I don't think we would have been able to know what it is we truly needed unless we had gone through that.

Kurt Greenbaum: And that's our episode of *On Principle*. You can just think of me as the middleman sharing the story of Jimmy Sansone and the insights from Lingxiu Dong. Many thanks to both of them for their time. I invite all of you to visit *On Principle's* website, where we'll have links to more information about Jimmy and The Normal Brand, as well as more background on Ling and her research work. You can find all of that along with past episodes of this podcast at on.principalpodcast.com. Meanwhile, don't forget to subscribe to *On Principle* in your favorite podcasting app so you can get updates when new episodes drop. I also welcome comments, questions or episode ideas by email at Olinpodcast@wustl.edu.

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