

Making Sustainability Accessible

An Interview with Matt Scanlan, Co-Founder and Chief Executive Officer, NAADAM

EDITORS' NOTE *Matt Scanlan is the CEO and Co-Founder of NAADAM, a lifestyle, fashion brand that utilizes sustainable sourcing practices to produce luxury cashmere. He is the Co-Founder of Naadam Bogd Fund, a Mongolia based NGO focused on supporting nomadic herding communities throughout Mongolia. Scanlan is a General Partner at Magic Hour Ventures, a seed stage venture fund focused on sustainable consumer investments.*



Matt Scanlan

all of our cashmere, to one where we do not focus on our differences, but rather we focus on our similarities. This led to the vision to make product that would be accessible, and to do that you have to be affordable to more people so that they can actually buy it and wear it. This is what we built NAADAM to do.

The best brands are not motivated by what product they make or how they make the product – they are motivated by why they exist. The best brands understand the “why” and that is at the foundation of NAADAM.

How are you able to offer a high-quality product at a price point that is accessible and affordable to many people?

It is about making the right choices and doing the right thing. When we built the NAADAM supply chain, we realized that there

were inequitable circumstances that forced prices up throughout the supply chain. We felt that if we could undo or intermediate certain aspects of the supply chain that were taking advantage of people we wanted to help, we could reduce the cost of the product. The way to think about NAADAM’s supply chain at the simplest form is to imagine you have a string and one side is the customer and the other side is the herder. This is the place where the process starts which is with the herder and the place where it ends which is with the customer. If you pull out the middle of the string, the two sides all of a sudden become a lot closer. In the process of making those two sides closer, the consumer begins to understand the story of where the product came from which increases the value while at the same time bringing down the cost by eliminating the inefficiency in the supply chain that was causing inequality and forcing prices up for the customer.

What was the vision for founding NAADAM and how do you define its mission?

NAADAM was built to make sustainability accessible. Our thesis behind sustainability – which is in effect doing the right thing and creating equitable relationships and building a stakeholder driven supply chain – was to make the process accessible to more people. When you make a sustainable choice in regard to a product, inaccessible could be due to price or product make-up which undermines the idea that doing the right thing should be available to everyone. If everyone is not able to partake, regardless of socio-economic circumstances, in the effort to change how human beings need to relate to our environment, then we are in trouble.

That was an emotion to a concept that I felt very deeply and witnessed through the trips we had taken to Mongolia roughly eight years ago. We arrived as young men in the middle of the Gobi Desert and were totally disoriented by the fact that none of the things that created status for ourselves or even identity existed in these remote regions, and that so much that made their culture valuable was their closeness and relationship to their environment. It was not until my perception changed after a number of trips to the Gobi Desert, where we now source



Models in NAADAM cashmere products



NAADAM Co-Founders Matthew Scanlan and Diederik Rijsemus in Mongolia's Gobi Desert with the type of goats that are the sole source of NAADAM cashmere

NAADAM is able through these transparent – and I would argue unparalleled – supply chain practices to go out to these remote areas of Mongolia and source hundreds of tons of cashmere and say to the herder that we are going to buy everything from them so they do not have to sell to anyone else. These other people are, for example, buying it for \$2 and selling it for \$10 – we say that we are going to pay \$4, so we double what they have been getting paid – and instead of selling it, we will own it. We are going to build a fully vertical supply chain to realize the cost savings and benefit the herder, and then pass those savings all the way back to the customer.

It was not until we released the product, a \$75 cashmere sweater, which is our trademark item, that the value proposition became clear

to us. We are offering a better-quality sweater than what was in the market, at a fraction of the cost of what was out there – and the reason that it is better quality and lower cost is because of our process. This is how you make the concept of helping people more accessible to more people.

How important is it to build brand awareness for NAADAM?

Brand awareness produces growth and value. NAADAM is doing hundreds of millions of dollars in revenue, but at the end of the day we are selling a commodity. We do not want to brand our products or put logos on them because this will just make them less accessible which goes against our mission and values. We benefit by creating brand awareness and marketing that is driven by word-of-mouth – people take pride

in the ownership of our product and want to tell other people about it. As we look to expand NAADAM outside of our core product offering, we look at expanding into variable product solutions that have the same intrinsic principles – the same ability to purchase a product and to buy to again and to share it.

Brand awareness is also important because it provides a bigger platform to tell our story. If I go back to what I said earlier, I had an experience, and that experience was hinged on the concept that instead of focusing on the things that make people different, I wanted to focus on the things that make us the same. If everyone lived like that, we would all be in a happier and better place.

Where do you see growth opportunities for NAADAM?

NAADAM is a pretty-widely distributed brand today, for example in Nordstrom and Saks, and we currently have seven stores which we will increase to fifteen this year. We are a domestic brand and have a big online business here in the United States. I think about having a global presence because I think that our value system will resonate and have a large impact with a global audience. We are actively pursuing international expansion in places like Europe and Asia.

Did you always know you had an entrepreneurial spirit and desire to build your own company?

In retrospect, I think I did have it, but did not recognize it. I was a kid that got thrown out of more boarding schools than I graduated from and did not graduate from college – I was not a bad kid, but always had the desire to do things my way and knew that I would figure things out. I think I was predisposed to wanting to do something my own way. I believe that the entrepreneurial journey takes resilience. It is a roller coaster ride for a long period of time and it is not always about who makes the best product, but rather about who can stick it out the longest and be resilient. This allows you to be in the right place at the right time, and for me, I think I want it more than most people. I am going to do whatever it takes to fulfill my mission and to share my message.

How important has it been to have such strong and committed investors?

Investor relationships have been very beneficial to NAADAM. We have trust from our investors and they believe in my instincts and ability to execute. I am fortunate to have investors who have allowed me to take the risks that I needed to take in order for the business to be successful.

Are you able to enjoy the process and appreciate what NAADAM has become?

The truth is that I am not good at doing this since I am always thinking about what is next and where we are going. I know in my mind what we need to do, so when we achieve it I have already conceptualized what it will be like since there is no option for me except to make it happen. There will come a time for me to reflect, but there is too much to do and too many opportunities ahead to look back – we are focused on NAADAM's future. ●